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ABSTRACT

As an overall assessment of the Work Incentive (WIN) and Aid to Families with Dependent Children (AFDC) tax credit programs, the project reported sought answers to the following questions: (1) To what degree are tax credits a factor in employer decisions to hire WIN registrations and welfare recipients? (2) What are the differences in usage of the WIN and the welfare tax credits? (3) What provisions or features of the tax credits contribute to or inhibit their use and effectiveness? (4) How do costs of the program (especially tax revenue decreases) compare with savings generated by the program (especially welfare savings, wages and/or taxes, and social security revenue increases)? (5) What are the implications of the findings for legislation, policy, program design, and operation? (6) How can the program be changed to increase its use and make it more cost beneficial? Content is presented in seven chapters: (1) Historical Perspective on Employment Tax Credits, (2) Study Method, (3) Community Variables, (4) Characteristics of WIN/Welfare Registrants, (5) Differences Between WIN Offices, (6) Business Firms and Their Utilization of Employment Tax Credits, and (7) Composite Analysis. An extensive bibliography is included. (Author/WL)

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AN ASSESSMENT OF WIN AND WELFARE TAX CREDITS

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To

Employment and Training Administration
U.S. Department of Labor
Washington, DC 20213

By

David Thompson
Jan Parkinson
Dorothy Bonnallie

March, 1977

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PREFACE

Title VI of the Revenue Act of 1971 provides a special tax credit to employers of individuals who are registrants in the Work Incentive (WIN) Program. The Tax Reduction Act of 1975 provided for a similar tax credit to all employers of recipients of assistance from the Aid to Families with Dependent Children (AFDC) Program through June 1976 whether or not the recipient was registered with WIN. The 1971 credit is referred to as the WIN tax credit and the 1975 credit as the Welfare tax credit. Although both programs were designed to encourage employers to hire AFDC recipients, each was structured somewhat differently.

Job Development Tax Credit of 1971 - WIN Tax Credit

The amount of the WIN tax credit is equal to 20 percent of the gross covered wages paid to an eligible WIN employee in the first twelve months of employment, whether or not employment has been consecutive. In addition, employment must continue for 12 months after the credit has been claimed. However, credit is allowed for the time worked if the employee quits voluntarily, becomes ill or disabled or is dismissed for good cause.

An eligible WIN employee is a WIN registrant receiving AFDC assistance payments who becomes employed and for whom a tax credit eligibility declaration form (referred to as a WIN tax credit certification) has been completed by the WIN sponsor. The tax credit was not allowed to exceed the first \$25,000 of the employer's tax liability plus 50 percent of the liability over \$25,000.

As of October 4, 1976, revisions in the employment tax credit laws were enacted. According to this law the WIN tax credit cannot be claimed, "If the employment of any employee with respect to whom work incentive program expenses are taken into account under subsection (a) is terminated by the taxpayer at any time during the first 90 days of such employment (whether or not consecutive) or before the close of the 90th calendar day after the day in which such employee completes 90 days of employment with the taxpayer. . . ." An additional provision in the recapture rules prohibits recapture of the credit if the employee were laid off due to lack of business. The limit on the credit was doubled from \$25,000 to \$50,000 plus one-half of the excess over \$50,000.

Federal Welfare Recipient Employment Incentive Tax Credit of 1975 -
Welfare Tax Credit

The amount of the welfare tax credit was also 20 percent of gross wages or salary and applied to the first \$25,000 of the employer's tax liability plus 50 percent of the liability above that amount. The credit could initially only be applied to wages paid to an eligible AFDC recipient after March 29, 1976, and before July 1, 1976. However, revisions enacted as of October 4, 1976, extended the expiration date of this program from July 1, 1976, to January 1, 1981. In addition, the limit of the welfare tax credit was doubled from \$25,000 to \$50,000 plus one-half of the excess. The act provides a limit of 12 months for which the wages of any one employee would be eligible for the welfare tax credit. The Act also authorizes the WIN agency to certify eligibility for the welfare tax credit. (Since the old provisions were in effect at the time of our employment tax credit surveys, all questions and responses in this report are based on the pre-1976 credit laws.)

An eligible welfare employee was defined as any AFDC recipient who had been certified by the appropriate state or local agency as having received public assistance for 90 days prior to the date of employment. Unlike the WIN tax credit, the employer may claim a welfare tax credit for any eligible employee who works in excess of 30 days on a substantially full-time basis (75 percent or more of the customary work week). There are no retention provisions beyond the 30 days.

The welfare tax credit was extended to employers of domestic and other types of non business employment, but the amount of the tax credit per welfare recipient hired was limited to \$1,000.

Study Focus

The two employment tax credits were legislated to enhance the employment prospects of AFDC recipients and thereby reduce welfare payments by an amount equal to or greater than the loss in tax revenues. The major purpose of the study is to determine how effectively the tax credit approach has worked in expanding employment opportunities for welfare recipients. The following are some of the major questions pursued during the study:

1. What differences are there in the use of the WIN and welfare tax credits?
2. To what degree are tax credits a factor in employer decisions to hire WIN and welfare participants?
3. What provisions or features of each tax credit either contribute to or inhibit its use and effectiveness?
4. Is the program cost beneficial?
5. What are the implications of the study findings for legislation, policy, program design and operation?
6. How can the program be changed to increase its use and make it more cost beneficial?

SUMMARY OF FINDINGS.

Extent of Use of the Employment Tax Credits

Neither the WIN nor the welfare tax credits are extensively used. The use of the WIN tax credit has approximated 25 percent of its potential. The number of employers who had received certification for the WIN tax credit reached a high of 22.4 percent of WIN job entries in FY 1974. However, certifications fell to 15.3 percent in FY 1975 and remained at that level for FY 1976.

TABLE S.1

WIN JOB ENTRIES AND TAX CREDIT CERTIFICATIONS FY 1973 THROUGH FY 1976

Fiscal Year	Individuals Job Entries	Tax Credit Certifications Per Year	Certifications as Percentage of Job Entries
1973	136,783	24,853	18.2%
1974	177,271	39,788	22.4
1975	170,641	26,042	15.3
1976	186,062	28,215	15.2

NOTE: WIN Reporting System, MA5-98 Reports 08 and 11, June 30 of each fiscal year for 1973, 1974, and 1975; ESARS, Table 30, June 30, 1976.

Of the average of 150,000 jobs in which WIN registrants are placed, we estimate that 114,000 employers had a tax liability (at a minimum 30,000 employers were government and other non-profit establishments, approximately 7,500 had no tax liability for other reasons). With the average usage of the tax credit at about 29,000 certifications per year, maximum usage is about 25 percent. Thus, about 75 percent of all employers who are entitled to a tax credit do not even obtain the certification needed prior to claiming the credit.

Use of the Welfare Tax Credit

The tax credit for AFDC recipients appears to have been used hardly at all. We estimate that not more than 1,500 welfare tax credit certifications were issued during the 15 month legal life of the program. Even given an 8 to 12 month operational life of the program, this amounts to no more than 100 certifications per month nationwide for a population of three million heads of households on AFDC--of which roughly 50 percent are defined as employable under existing legislation.

Use of the Domestic Employee Feature of the Welfare Tax Credits

The welfare tax credit feature to provide a tax credit to non-business (domestic) employers was scarcely used at all. We estimate that no more than 200 such tax credit certifications were issued during the entire life of the welfare tax credit.

Tax Credit Certifications and Community Variables

Four community variables were found to be significantly related to the utilization of tax credits: population density, level of AFDC benefits, quits and layoffs.

TABLE S.2
COMMUNITY VARIABLES ASSOCIATED WITH
TAX CREDIT UTILIZATION RATES

Community Variable	Pearson's r	Significance
Population Density	-.18	p<.10
Level of AFDC Benefits	-.40	p<.01
Quits	.30	p<.07
Layoffs	-.27	p<.09

Surprisingly, there was no correlation between the rate of unemployment and the utilization of tax credits. (It was hypothesized that areas of high unemployment would offer fewer jobs with subsequently fewer certifications issued).

It is probably the case, however, that the overall unemployment rate is too gross a measure to be pertinent to the WIN population. Looking instead at the quits/100 employed and the layoffs/100 employed statistics, we get a much different picture. Areas typified by relatively high quit rates (possibly implying more economic opportunity) display higher tax credit utilization rates. There is a symmetry with layoffs in this regard. Areas with high numbers of layoffs have lower tax credit utilization. Interestingly, this may also explain the negative association of tax credit utilization with population density. The Pearson correlation coefficient of layoffs with population density is .44 ($p < .01$); that is, higher population density areas in these SMSA's are generally areas of higher rates of layoffs, and areas with higher rates of layoffs are associated with lower utilization of tax credits. Using the layoff rate as a general proxy measure of the health of a community's economic sector which is pertinent to WIN clients, we can conclude that healthier economic activity levels are positively related to higher tax credit utilization.

The WIN Offices Play an Important Role in the Utilization of the WIN Tax Credit

Despite the limitations of the tax credit, and its apparent lack of general use as a self-administering employment incentive, it has been a contributing factor in obtaining jobs for WIN registrants. The percentage of WIN job entrants certified in 1976 was found to be directly related to the percentage of entrants placed by the WIN offices as opposed to those who found their own jobs (Pearson's $r = .59$, $p < .001$). Employers who used the tax credit most commonly learned about it from WIN or Employment Service office.

WIN tax credit users were almost twice as likely to have heard about the availability of the WIN tax credit through the WIN office as were knowledgeable nonusers. Questions posed in a survey of 32 WIN offices, which included offices in both high and low tax credit use areas, indicated that differences in usage between areas are best explained by the more aggressive salesmanship of WIN offices. These findings appear to indicate that the role of the WIN office is an important determinant of business firms' utilization of the tax credits.

Employer Knowledge of Job Applicant's Welfare Status and the Use of Tax Credits

Nearly 80 percent of the employers in our sample who had obtained tax credit certifications had been aware of the tax credit before hiring an AFDC recipient. However, not all employers knew the welfare status of a prospective employee before the hire. In fact, only 57 percent of the employers who had obtained certifications knew about both the availability of the WIN tax credit and the welfare status of the applicant at the time of hire. Therefore, in 43 percent of the certifications issued, the tax credit could not have been a factor in the hiring decision. Employers who may be interested in employment tax credits are reluctant to ask the welfare status of job applicants because of potential discrimination lawsuits. The incentive value of the WIN/welfare tax credits can certainly be improved by taking measures to increase employer awareness of the tax credit eligibility status of the job applicants. Recommendations to facilitate this are presented in Chapter VII.

The WIN Tax Credit Program is Cost Effective

Data from a 12 month follow-up survey of employers were analyzed in preparing the cost/benefit analysis. This data allowed measurement of the incentive value of the WIN tax credit for employers who were aware of the program and who knew the welfare status of a prospective employee.

It was earlier determined that 49.6 percent of the certified employers had or would claim tax credits for their WIN hires. Nearly 23 percent of the employers in the 12 month follow-up who knew about the tax credit program and the welfare status of the applicant had indicated in our initial survey that the availability of a tax credit was either a condition of the hire or a significant factor in the hiring decision.

Using these figures, the cost formula for tax credit motivated WIN hire is:

$$\text{Cost} = \frac{\text{TCC}}{\text{TCH}} \times (0.2 \text{ Wages}) = \frac{49.6}{22.7} \times (0.2 \text{ Wages}) = 0.44 \text{ (Wages)}$$

Where TCC = percentage of certifications for which a tax credit was claimed

TCH = percentage of WIN certified employees hired because of tax credits

0.2 Wages = the amount of credit claimed; 20 percent of total wages paid.

Combining this cost formula with the benefit formula derived in Chapter VII, we estimated that it cost approximately \$0.53 in lost tax revenue among employers who knew about the tax credit program at the time of hire to stimulate a WIN hire resulting in \$1.00 of potential welfare savings. Given this degree of cost effectiveness, funds used for further information and implementation campaigns would be well spent.

Because of confidentiality requirements, not all employers can be expected to have full knowledge about the WIN tax credit program and potential eligibility. However, the above computation indicates that the WIN tax credit is a cost-effective approach for promoting WIN hires among employers who are aware of their eligibility for a tax credit. The programmatic implications, therefore, are to expand efforts to increase employer awareness of the WIN tax credit program and for WIN and ES job developers to more effectively communicate prospective employees' eligibility for such a tax credit to employers.

Demonstration Project

In order to determine the effects of an intensive information campaign on the utilization of the WIN/welfare tax credits, a demonstration project was undertaken by IMPACT in four selected cities: Minneapolis, Houston, Toledo and Atlanta. The description and evaluation of this demonstration project are summarized in Appendixes D and F. Briefly, at the end of an eight month period, about 31 percent of all employers in the demonstration cities claimed to know about the WIN/welfare tax credit, compared with 15 percent of the employers nationally. The number of WIN/welfare job entries increased by 78 percent in the demonstration cities compared with a 46 percent increase for the nation. The number of WIN/welfare tax credit certifications increased 236 percent in the demonstration cities as compared with 49 percent nationally. The ratio of certifications to job entries increased from 14.9 percent to 28.1 percent, or 89 percent, while this ratio remained unchanged throughout the nation in general.

It is concluded in Chapter V that the efforts of the WIN office are major determinants of WIN tax credit usage. If this is true, the information campaign heightened the effectiveness of the WIN office by providing it with leads and inquiries. It is most probable that without the inquiry-generating feature of the information program, the effects would be negligible, at least in the short run. That is, information, by itself, is probably inadequate to increase utilization of the tax credits.

The Employment Tax Credits Do Not Create Jobs

We were unable to uncover any cases which indicated that additional hires were made, over and above those jobs which would normally be filled. Obviously some number of AFDC recipients and WIN registrants obtained jobs as a direct result of the employment tax credit (our estimate would be somewhere between five thousand and twenty thousand per year). But it cannot be argued that these jobs were additions to the total job pool.

Employer Perceptions of the WIN Tax Credit Program

Employers were generally ambivalent regarding the retention and recapture provision incorporated into the WIN tax credit program. Most employers in our sample are not affected by the retention and recapture provisions because a substantial number of WIN employees quit (51 percent). Employers may also be able to claim credits for a portion of those who are fired (18 percent). The retention and recapture provisions were structured to provide an incentive to keep WIN registrants employed for longer periods of time, but the high turnover rates for WIN employees have minimized their usefulness.

To the extent that the retention and recapture provisions reduce the appeal of the WIN tax credit program to some employers, a relaxation of the requirements should be considered. At a minimum, the removal of the 12 month retention provision may make the program more appealing without seriously affecting retention rates (the retention period was reduced to 180 days by the October 1976 law). Specific recommendations to this effect can be found in Chapter VII of this report.

In the majority of cases of WIN hires, employers are not claiming the tax deduction to which they are entitled. When interviewed, employers cite many reasons for this which have limited credibility. These reasons include additional paperwork (there is little paperwork associated with the certification); need to establish separate personnel or record keeping systems (most employers who have tried the tax credit find ways to meet this simple objection); concern with IRS audit (most employers are audited anyway); and recapture and retention provisions (the limited data available indicates that the recapture is very limited).

More in-depth research indicates that other, probably more substantive, reasons are responsible for employers' not claiming the tax credit. For example, there are organizational impediments within the firm, particularly separation of the staff preparing tax returns from the staff hiring employees. This results in a lack of reward in the form of the tax credit for people who make employment decisions and/or take risks, perceived or real, in hiring WIN clients.

Another real factor is lack of information about the tax credit--its availability and the processes and specific provisions involved in gaining the tax credit--particularly among the upper management levels that have control and authority over both the employment policies and tax policies.

Extrapolation to Broader Tax Credit Schemes

One of the apparent limitations of the WIN tax credit is the lack of widespread knowledge or consciousness of the tax credit. In a broader tax credit program (e.g., a program for all new hires), it might be expected that a knowledge of such a tax credit would be analogously greater. The demonstration project established a relationship between knowledge of the tax credit and use. It is, therefore, possible that broader and, consequently, better known types of employment tax credits may have more impact as an incentive than do the WIN or the welfare tax credit. Nevertheless, there is no data from our study to indicate that such employment tax credits would play an important part in remedying aggregate unemployment in any significant manner.

CHAPTER I

HISTORICAL PERSPECTIVE ON EMPLOYMENT TAX CREDITS

Introduction

In an effort to promote both training and employment opportunities for the so-called "hard core" unemployed, Congress enacted legislation in 1971 and 1975 which allowed businesses to claim tax credits for employing participants in the Work Incentive Program (1971) and recipients of Aid to Families with Dependent Children (1975).

The purpose of this review of the employment tax credit is to briefly identify the problem which the tax credit seeks to solve, the methods advocated for the solution of the problem, and the expected results of the tax credit.

This chapter summarizes two primary theoretical approaches to employment tax credits, the legislative background of the current employment tax credits and, finally, their provisions and regulations.

In literature calling for a wage subsidy or tax credit to employers for hiring the unemployed or upgrading the skills of present employees, the purpose of such an incentive has been to encourage employers to hire more people. Stated another way, any tax incentive to employers in relation to wages is aimed at reducing unemployment.

A universal wage subsidy was first proposed by Nicholas Kaldor in an almost forgotten article in 1936.¹ Kaldor's theory was that a wage subsidy would reduce labor costs, increase profits and, generally encourage private enterprise to expand employment in periods of high unemployment. His suggestion was to subsidize all employment, either by some percentage of wages or as a lump sum per worker, rather than to subsidize the wages of additional employees because of the technical difficulties involved in subsidizing only the latter. Kaldor's proposal was made as an alternative to public work, tariffs, subsidies on production or reductions in interest rates during periods of high unemployment. He believed wage subsidies could be regulated by governments to lessen extreme fluctuations in employment due to trade cycles.

¹ Nicholas Kaldor, "Wage Subsidies as a Remedy for Unemployment," The Journal of Political Economy, Vol. 44, No. 6 (December 1936), pp. 721-742.

More recently, simulation models of employment tax credit incentives have been constructed for the U.S. economy. Of special interest to the present study is the work of Berndt, Kesselman and Williamson, who simulated the impact on U.S. manufacturing of replacing the investment tax credit with an equivalent cost-to-government employment tax credit for the period from 1962 to 1971.¹ Their principal conclusions were that total employment would have been one-half to more than 1 percent higher in many of the years, and that use of capital would have been 1 to 6 percent lower. They also argued that an employment tax credit would induce firms to substitute production workers for capital and nonproduction workers. Subsequent empirical work by Berndt, using the same data, revealed that the removal of energy price ceilings and investment incentives and the adoption of a 4 percent employment tax credit would have decreased energy use in manufacturing by 5 percent and increased employment by over 2 percent.²

The idea of a general wage subsidy did not gain much popularity in the United States. However, as decision makers became concerned with the hard core unemployed, the idea of using a selective employment tax credit as an incentive to businesses became increasingly attractive. Daniel Holland, in an article published shortly before the WIN tax credit was enacted, discussed the goals and approaches to the problem of:

...what to do about people who are or can be employable but who are presently not working at all or whose income from employment is below the poverty level. If they were 'trained', they could be more productive and employable; if they were employed, they would in the normal course of events get more training.³

The dilemma in the problem of welfare assistance/unemployment is not in the goals to be achieved but, rather, in the approach to be used in achieving goals. Holland has suggested the following options: 1) concentrating on the "supply of labor (which is considered the problem) and training (looked on as the solution)" or 2) concentrating on the "demand for labor (which is considered the problem) and employment (looked on as the solution)."⁴ The first approach emphasizes the worker and his need for training/retraining to make him job ready; the second approach focuses on the employer and a need for the creation of jobs.

¹ Ernst R. Berndt, Jonathon R. Kesselman, and Samuel H. Williamson, "Tax Credits for Employment Rather than Investment," Discussion Paper 297-75 (University of Wisconsin: Institute for Research on Poverty, 1975).

² Ernst R. Berndt, "Tax Policy, Energy Demand and Economic Growth," in Full Employment on a Small Planet, ed. Mason Gaffney (Madison: University of Wisconsin Press, in press).

³ Daniel M. Holland, "An Evaluation of Tax Incentives for On-The-Job Training of the Disadvantaged," The Bell Journal of Economics and Management Science, Vol. 2, No. 1 (Spring 1971), pp. 294-295.

⁴ Holland, "Evaluation of Tax Incentive," p. 321.

The Training Approach to Resolving Unemployment (Prevalent in the 1960s)

The assumptions underlying the emphasis on training can be roughly summarized as follows:

- Labor market. Imbalance in the labor market is due to automation and new technology which results in high unemployment for unskilled and semiskilled workers. "Upgrading" of workers by training/retraining is needed in order to fully utilize the manpower potential of the country. Because thousands of highly skilled jobs are available, it is assumed that the public and private job market can absorb everyone able and willing to work.

- Target group. Educational programs such as the National Defense Education Act and National Science Foundation focus on college and graduate school education to provide manpower for the professions, especially science. Other manpower programs like Manpower Development Training Act (MDTA), National Youth Corps (NYC) and Job Corps seek to train the socio-economically disadvantaged, unemployed and underemployed persons with an emphasis on training the youth.

- Government responsibility. The government's role is to provide opportunities for training programs which will prepare men and women to take their place in the job market. Thus, the purpose of the establishment of the Job Corps could be stated as follows: to assist "young persons who need and can benefit from an unusually intensive program...to become more responsible, employable, and productive citizens."¹

- Economic philosophy. Training/retraining the unemployed and underemployed to move up the ladder of work would assure their becoming productive citizens, their paying taxes, and their remaining off the welfare rolls. This would contribute to a steadily growing economy.

The Manpower programs of the 1960s supported the theory that the best approach to unemployment is through training programs. The 1972 Manpower Report of the President, standing at the beginning of the second decade of the federal government's active manpower policy, looks back to the enactment of the first Manpower Development and Training Act (1962) and states:

¹ Economic Opportunity Act, Title I-A, quoted in Seymour L. Wolfbein, ed., Manpower Policy, Perspectives and Prospects (Philadelphia: Temple University, 1973), p. 109.

During this period, the main focus has been on developing and operating training and work-experience programs for unemployed and underemployed people (chiefly the disadvantaged) and on pursuing efforts to improve the efficiency of the labor market in matching workers and jobs.¹

According to the 1972 Report, the philosophy underlying the MDTA was "consistent with American tradition and experience: If an individual could be helped to obtain training or retraining, he would then be in a better position to find a job and become self-supporting."²

During this period, the idea of using an employment tax credit patterned after the investment tax credit began to gain support as a means of facilitating manpower development within the private sector. In order to illustrate the government's approach to the perceived labor problems of the 1960s, the employment tax credit bill proposed by Senator Prouty and the report of the National Advisory Commission on Civil Disorders are discussed below.

Senator Prouty introduced the Human Investment Tax Credit Bill in 1965, 1967, and 1969. Each bill was based on the concept and format of the Investment Tax Credit but underwent refinement throughout the years. Basic to Prouty's proposal was the use of the tax credit to supplement industry's costs for training/retraining of unskilled and skilled workers. Prouty saw the need for skilled workers in an economy which had high unemployment yet thousands of job openings for highly skilled personnel.

The growing shortage of skilled workers already threatens to slow down the nation's general economic growth. Thousands of openings for skilled and semi-skilled workers in industrial and service enterprises are going begging at a time when 4.5 percent of the labor force is unemployed. The paradox of persistent joblessness alongside job vacancies reflects failure of educational and vocational training, to keep pace with the accelerated tempo of economic change.

There would be virtually no unemployment today if the jobless men and women had the skills now sought by business and industry. A figure in common use is that for every 10 unemployed persons, there are seven skilled-worker jobs open but unfilled.³

¹ Manpower Report of the President (Washington: U.S. Government Printing Office, 1972), p. 7.

² Manpower Report of the President, 1972, p. 8.

³ William B. Dickinson, Jr., Burlington, VT. Free Press, September 23, 1965, quoted in Congressional Record, February 2, 1967, p. 2339.

Coincidentally, private industry had already begun the task of training its employees. The possibility of government and private industry cooperating to improve the employment problem was suggested in a Newsweek article:

While government can provide a blueprint for the future and offer "seed" money for training, the prime contractors in meeting manpower needs in today's rapidly changing technology must still be the private employers themselves. A great many firms are responding with training programs of their own. At General Electric, one out of eight employees is enrolled in company-sponsored courses. After a ten-year lapse, Western Electric recently revived training for machinists, electricians and toolmakers.¹

The above view of the labor market did not focus on the creation of additional jobs--it was assumed industry was already creating jobs--but rather on industry's need for skilled workers. According to Senator Prouty, not only the hard core unemployed but also the semiskilled should be given training/retraining. By so doing, the semiskilled would move up the work ladder thereby providing opportunities for less skilled workers to enter the labor market.

In the three versions of the Human Investment Tax Credit Bill (1965, 1967 and 1969) proposed by Senator Prouty, the rate of the tax credit increased from 7 percent (1965) based on the investment tax credit; to 10 percent (1967) based on the labor shortage in skilled personnel and a differential to employers for investment in labor skills, i.e., training; to 20 percent (1969) for the hard core unemployed and 10 percent for the "upgrading" of already employed personnel.

The emphasis on training began to erode during the late 1960s as thousands of people were being trained under manpower programs but were not finding employment. Further, attention increasingly turned toward the hard core unemployed and the necessity of moving them from welfare rolls to employment. One of the few proposals identifying a particular target group with emphasis on employment came from the National Advisory Commission on Civil Disorders (1968). The panel recognized the problems inherent in getting the private sector to hire the hard core unemployed.

We are convinced that large numbers and many different types of business and industrial companies will participate in hiring and training the hard-core unemployed only if an incentive technique is devised which is as simple and automatic as possible.²

¹"Help Wanted: The Great Manpower Shortage," Newsweek, November 23, 1965, quoted in Congressional Record, February 2, 1967, p. 2340.

²Report of the National Advisory Commission on Civil Disorders (New York: New York Times Company, 1968; Bantam Books), p. 564.

And,

We believe that the single most powerful inducement for broad involvement of private enterprise in job training and job development lies in the use of a tax incentive. Neither a guarantee technique nor a contracting mechanism offers the same appeal to businessmen in enterprises of all sizes as does a tax incentive.¹

The Demand for Labor Approach to Resolving Unemployment (Prevalent in the 1970s)

The second approach to the labor market suggested by Holland, namely the demand for labor (considering the problem) and employment (viewed as the solution) began to gain ascendancy over the emphasis on training. As noted earlier in Holland's analysis of the labor problem, the objective in both approaches (training and employment) was employment. The change in emphasis, however, indicates the government's growing awareness of the need for encouraging private industry to hire the hard core unemployed. "Employment in the private sector represents our major hope for leading present welfare recipients to economic independence."²

The assumptions underlying the emphasis on employment may be summarized as follows:

- Labor market. During periods of rising unemployment, training alone is not sufficient to permit the unemployed to enter the labor market. Public service employment or some form of job creation must supplement manpower training programs. Cooperation with private business is essential for the creation of jobs for the target group.

- Target group. Under the WIN/welfare tax credit (as an example of emphasis on employment), the eligible AFDC population is the target group. This group, however, presents problems to employers and only with a financial incentive could private enterprise be expected to act.

We know that many welfare recipients will be very poor employment risks, requiring special training before they can achieve full productivity. It is unrealistic to expect that the business community will undertake

¹ Report of the National Advisory Commission on Civil Disorders, p. 565.

² U.S., Congress, Senate, Committee on Finance, The Revenue Act of 1971, S. Rept. 92-437 to accompany H.R. 10947, 92d Cong., 1st sess., November 9, 1971, p. 130.

this kind of new responsibility without some form of extra financial help in the initial stages. The tax incentive provision. . . is designed to bridge the gap between the work incentive program and productive employment.¹

• Government responsibility. The government shares responsibility for finding and/or creating jobs for the unemployed. The purpose of the Comprehensive Manpower Act (1970) indicates one function of the government to be "to assure an opportunity for employment to every American seeking work and to make available the education and training needed by any person to qualify for employment consistent with his highest potential and capability. . ."²

• Economic philosophy. Unemployment is a major cause of poverty and if the poor are employed, public assistance will be substantially reduced. Further, a great number of AFDC recipients are employable and potential jobs are available for AFDC persons. It is implicitly assumed that the majority of the poor who are able to work are also willing to work.

The WIN tax credit was one of the first efforts to encourage private industry to "create" jobs for the hard core unemployed and, as such, it stands at the forefront of the government's changing attitude toward the problem of chronic unemployment. Part of the reason for the WIN tax credit was an effort to make the WIN program effective. The disillusionment following the first 3 years of the WIN program and hopes for the future were summarized by Senator Talmadge in June 1972.

When the Congress created the work incentive program as part of the Social Security Amendments of 1967, we hoped to help employable welfare recipients prepare for employment and get jobs. The results of the first 3 years of operations under the program, however, earned the program its generally recognized reputation as a dismal failure.

It was to reverse this record of failure that I proposed major amendments to the work incentive program, which the President signed into law last December. The amendments were designed to provide the legislative changes needed to make the work incentive program effective.

¹ U.S., Congress, Senate, Senator Talmadge speaking for improving the work incentive program, S.1019, 92d Cong., 1st sess., March 1, 1971, Congressional Record, 117:4, p. 4379.

² U.S., Congress, House, The Comprehensive Manpower Act, Rept. 91-1557 to accompany H.R. 19519, 91st Cong., 2d sess., October 5, 1970, p. 1.

Experience under the work incentive program today shows that many more welfare recipients volunteer to participate in the program than can be accommodated. The welfare recipients want jobs; the Congress wants to help them find employment.¹

The WIN tax credit represented a victory for the proponents of moving a specific target group (welfare recipients) into the labor market over the advocates of a general tax credit for all new hires. The latter were in the forefront of the discussion on employment tax credits as late as the middle of October 1971 when Senator Javits introduced a bill which would go beyond the investment tax credit in creating jobs for the unemployed.

The Javits bill tended to be biased toward the relatively low skilled but it was not limited to WIN/AFDC recipients. The credit was "\$4 per man-day for additional employment which is created over and above the employment in a base period." Javits estimated that under such a credit "500,000 additional jobs can be created by the end of the fiscal year. . . ."²

The WIN Tax Credit

As was previously mentioned, proposals or bills urging an employment tax credit during the 1960s were patterned after the Investment Tax Credit of 1962. Senator Prouty's introduction of his Human Investment Act of 1965 clearly identifies his dependence on the Investment Tax Credit.

. . . this bill [Human Investment Act of 1965] is patterned after the central element of that Revenue Act of 1962, but with an important change of emphasis. Where the act of 1962 offered businesses a tax credit for their investment in machinery and equipment, this bill would offer them a tax credit for something even more important. . . their investment in human beings.³

The Revenue Act of 1971, reinstating the Investment Tax Credit and establishing the WIN tax credit, was aimed at "expanding job opportunities for all Americans." Although the Investment Tax Credit was seen as "the major instrument for accomplishing this goal," note was made that "important

¹ U.S. Congress, Senate, Committee on Finance, Work Incentive Program, Hearings before the Committee on Finance, 92d Cong., 2d sess., June 27, 1972, p. 1.

² U.S. Congress, Senate, Committee on Finance, The Revenue Act of 1971, Hearings before the Committee on Finance on H.R. 10947, 92d Cong., 1st sess., October 14, 15 and 18, 1971, p. 409.

³ U.S. Congress, Senate, Human Investment Act of 1965, 89th Cong., 1st sess., February 17, 1965. Congressional Record, 117:3, p. 2780.

provisions [were included] to expand job opportunities for welfare recipients participating in the Work Incentive Program" through the tax credit.¹ This relationship between the Investment and WIN tax credits explains the origin of several features in the WIN tax credit such as the retention and recapture provision and the carry back and carry forward clause. The purpose and specific features of the WIN tax credit are discussed below.

Purpose of WIN Tax Credit

The WIN tax credit was designed as an incentive for employers in the private sector to hire individuals through the Work Incentive Program. Such an incentive was necessary, according to Senator Talmadge, because private enterprise could not be expected to accept the responsibility for hiring "very poor employment risks" without a financial incentive.

Features of the WIN Tax Credit

The three basic features which essentially characterize the WIN Tax Credit are as follows;

Amount of Credit. In his introduction of the WIN tax credit bill, Senator Talmadge indicated no reason for the choice of the 20 percent tax credit allowed to employers who hired WIN participants. Apparently, he considered the 20 percent financial incentive coupled with the social responsibility of businessmen to be sufficient to influence employer hiring decisions. Senator Talmadge, like Senator Prouty before him, had great confidence in the ability of private enterprise to train the hard core unemployed. For example, in hearings before the Senate Finance Committee in 1970, Talmadge stated: "I think if we abolish all present training programs and made a combination of private industry and Government, where the private industry could go out and get these people and train them, and they could train them for a job in being, they would have a job when they got through. . . ."²

¹ U.S. Congress, Senate, Committee on Finance, The Revenue Act of 1971, S. Rept. 92-437 to Accompany H.R. 10947, 92d Cong., 1st sess., November 9, 1971, pp. 129-130.

² U.S. Congress, Senate, Committee on Finance, Family Assistance Act of 1970, Hearings before the Committee on Finance on H.R. 16311, 91st Cong., 2d sess., April 29, 30 and May 1, 1970, p. 229.

The WIN tax credit, as passed by Congress in December 1971, provided a tax credit of 20 percent of the wages of WIN participants for the first 12 months of work. The 12 months did not have to be consecutive; although they had to be within 24 months after such employment began.

The basis of the tax credit is the cash wages paid to a WIN employee and these wages must be listed as a business expense. No credit may be claimed for wages which are directly reimbursed under contract. Payments to employers made under WIN/OJT contracts, however, cover the extraordinary costs of training and are not a reimbursement of wages. Thus, an employer may claim tax credit on wages paid under a WIN/OJT contract.

In a given year, an employer may claim WIN tax credits up to \$25,000 plus 50 percent of the tax liability over \$25,000 on each return. In October 1976, the ceiling was raised to \$50,000 plus 50 percent of the tax liability over \$50,000.

Retention and Recapture Provisions. As in the Investment Tax Credit, the retention and recapture provision was to guarantee the continuance of service rendered or a recapture of the credit by the U.S. Treasury. In the case of the Investment tax credit, the provisions were made to prevent quick write-offs for equipment and machinery and, secondly, to provide for the recapture of the credit if the equipment was not used as long as initially declared. A graduated scale was made for the length of time equipment could be expected to last; if the equipment lasted longer than the time declared, no additional credit was given; but if it did not last as long as anticipated, the credit was recalculated for the actual time it was in use.

The retention and recapture provision of the WIN tax credit was to provide the key element in accomplishing one of the main objectives of the tax credit, namely, to make the WIN participants independent of public assistance through employment. The goal of making WIN participants economically independent could not be attained with temporary or seasonal jobs, but had to take the form of permanent positions. Basically, the retention clause provided a 20 percent tax credit for the first 12 months of work (not necessarily consecutive) if the employee was retained for an additional 12 months. If the employment was terminated without cause prior to the end of 24 months, a recapture could be made of the credit claimed. The recapture was in terms of the total credit claimed except where termination was justified as determined by the state employment code or by the employee quitting, becoming ill or disabled.

The law was revised in October 1976, reducing the required retention period to 180 days in order to make the employment of WIN participants more attractive to businesses.

Carry Back and Carry Forward. If the tax liability in any given year is less than the amount to be claimed by the WIN credit, a carry back or carry forward provision assures the employer of the credit. Excess credit is first carried back three years and then carried forward seven years.

Eligibility Requirements

To qualify for WIN tax credits, employers must meet the following criteria:

a. Employers must have been in the same location for the past two years except where a relocation did not result in unemployment in the original location.

b. The WIN employee may not displace any individual from employment. The employer certifies on the Employer Eligibility Declaration Form that the vacancy offered the WIN employee is not the result of (1) a strike or lockout, (2) a layoff, with other employees waiting to be recalled, or (3) a reduction in regular hours, wages or employment benefits of other workers who currently hold positions similar to the job vacancy.

c. The wage paid must be no less than an applicable federal, State, or local minimum wage, or the wage paid to other employees of the employer for similar jobs, whichever is higher.

d. All provisions of applicable federal, State, and local health, safety, child labor and work hour laws and regulations must be met.

e. The WIN employee must receive the same employee benefits and rights as employees in similar positions.

f. The employer must comply with all applicable federal and State workers' compensation laws and other laws pertaining to compensation for illness or injury.

g. The employer cannot hire an individual who is a close relative, a dependent, or major stockholder, etc., for purposes of receiving a WIN tax credit. These categories are defined by the Internal Revenue Service as follows: a close relative is a child (including adopted children and descendants); a stepchild (but not a dependent); brother, sister, half-brother, half-sister; parent, grandparent or other direct ancestor (not a foster parent); stepfather, stepmother, father-in-law, mother-in-law, sister-in-law, brother-in-law, or any dependent individual, other than a spouse, who lives in and is a member of the employer's household. The definition of "major stockholder" is any individual who owns, either directly or indirectly, more than 50 percent of the stock of the corporation for which the tax credit is being claimed.

¹
U.S. Department of Labor, U.S. Department of Health, Education and Welfare, WIN Handbook (Handbook No. 318), 2d ed. (Washington, D.C.: Work Incentive Program, National Coordination Committee, 1976), p. X1-3.

Impact of the WIN Tax Credit as Perceived by Congress

The rationale for the WIN tax credit incentive was to induce the private sector to hire WIN participants. When the WIN tax credit was implemented in 1971, almost no on-the-job training contracts or placements of WIN participants had been made in private enterprises. Senator Talmadge indicated this lack of activity when he said: "We are starting from what amounts to a zero base. Any use of the tax credit, therefore, will amount to employment that we may assume would not otherwise have taken place."¹

Congress recognized that jobs were available in the private sector and only with the cooperation of private enterprise could the WIN program become a viable avenue for the employment of WIN participants. In discussing the job development amendments to the WIN program, the Senate Report stated that "employment in the private sector represents our major hope for leading present welfare recipients to economic independence."²

It was also recognized that most private enterprises are profit-making businesses and without some financial incentive they could not be expected to hire the less-qualified, those needing prolonged training in order to become productive employees, or those with relatively poor work habits. Therefore, Congress sought to encourage the private sector to hire WIN participants by using the WIN tax credit as an incentive.

From its beginnings in 1971, the WIN tax credit has been continually evaluated in terms of its effectiveness in placing WIN participants in unsubsidized employment. Many found the results disappointing: the tax credit had not been utilized to its maximum, and "the program₃[had] not been effective in moving welfare recipients into employment."³

The degree of effectiveness of the WIN tax credit will be discussed at length throughout this report. Because Congress felt the WIN tax credit had not been sufficiently utilized, another employment tax credit, the Welfare Tax Credit, was enacted by Congress.

¹U.S. Congress, Senate, Senator Talmadge speaking for a bill to improve the work incentive program, S. 1019, 92d Cong., 1st sess., March 1, 1971, Congressional Record, 117:4, p. 4379.

²U.S. Congress, Senate, Committee on Finance, The Revenue Act of 1971, S. Rept. 92-437 to Accompany H.R. 10947, 92d Cong., 1st sess., November 9, 1971, p. 130.

³Senate Report No. 94-36 (March 17, 1975), quoted in Department of Treasury, Internal Revenue Cumulative Bulletin 1975-1, January-June, p. 598.

The Welfare Tax Credit

Retaining the original purpose and goal of the WIN credit, i.e., moving persons from public assistance to employment, the welfare tax credit expands the target group and lessens some of the requirements for obtaining the credit.

A welfare tax credit may be claimed for AFDC recipients who have received public assistance for at least 90 days prior to employment. There is no requirement that the recipient be a WIN participant, although a WIN person, if meeting the AFDC assistance provision, may qualify an employer for the welfare tax credit. The major modification from the WIN tax credit is in the area of the retention and recapture provision. Under the welfare tax credit, a credit may be claimed for any eligible AFDC employee who is retained for at least 30 days. There is no retention requirement beyond the 30 days and, therefore, no recapture clause under the welfare tax credit.

A further innovation of the welfare tax credit is that it covers nonbusiness employment for AFDC recipients, that is, for domestics. The limit of credit for such nonbusiness employment is set at \$1,000 per year.

The other provisions of the WIN tax credit are applicable to the welfare tax credit.

CHAPTER II

STUDY METHOD

Before proceeding directly into the findings, the reader may find it advantageous to have a visual framework of the overall scope of the study and how the individual data sources tie into a composite analysis.

In each area comprising a WIN project, there are four sectors involved in the decision to hire WIN participants. First, there are the attributes and variables within a given geographic area over which no one organization or individual has control. We will refer to these as community variables. They include such considerations as the unemployment rate, the hourly earnings of employees, the percentage of employers engaged in manufacturing, etc.

Within the community there are three sectors: the aggregate characteristics of the WIN registrants, the characteristics of individual business firms, and the characteristics of the local WIN office. These relationships are shown in Figure 2.1, and the data collected from each sector are as follows.

Employment Tax Credit Certification Information

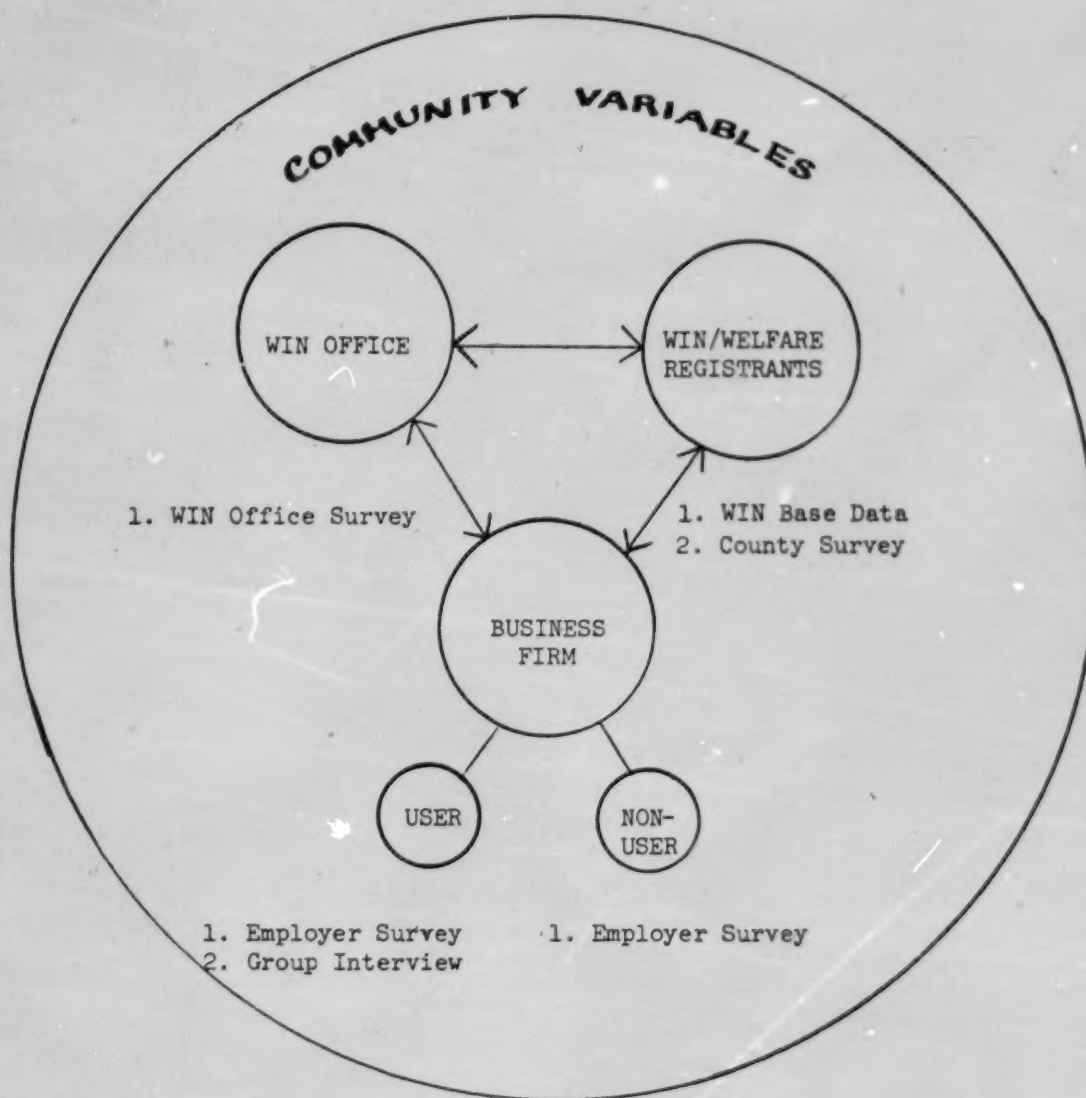
Information on the characteristics of WIN registrants and WIN tax credit certifications were obtained from the WIN reporting system. Data on welfare tax credit certifications were obtained through state level reporting systems. Eleven states did not report because they had no such systems. Welfare tax credit certifications were estimated for these states on the basis of their proportion of AFDC families in comparison to reporting states.

National Employer Survey

Information on employers in 22 states concerning their knowledge, attitudes and usage of the WIN/welfare tax credits was obtained through a telephone survey of employers who hired 709 AFDC recipients (557 WIN tax credits, 152 welfare tax credits). An additional 403 employers were surveyed who had not received certification for either tax credit.

FIGURE 2.1

FACTORS INVOLVED IN THE HIRING OF WIN/WELFARE REGISTRANTS



Initial telephone interviews were begun in October 1975 and completed in March 1976. A follow-up telephone survey was conducted in March and April with 378 employers from the original sample who had received tax credit certifications. A 12 month interview of employers with tax credit certifications was also conducted.

Employer Seminars

Several departments within a firm may be involved in the hiring decision process, therefore, group interviews were held including several people from the personnel, accounting, taxation, administration and supervision divisions of several business firms. Sixteen meetings were held with personnel from 18 small firms (under 1,000 employees) and 20 large firms in various industries.

Of the 38 firms represented, 17 were manufacturers, 8 retailers, 3 hospitals, 3 law firms, 2 insurance companies, 2 public utilities, 1 wholesaler, 1 bank and 1 janitorial service. Twenty-two of these firms had hired WIN clients and 16 had not. One of the hospitals was a nonprofit corporation.

A total of 56 persons attended the various meetings: 4 from top administration, 35 from personnel, 8 from accounting and control, 4 from the tax departments, 2 from line supervision, and 3 independent attorneys.

WIN Office Telephone Survey

Information about WIN office variables was gathered through a telephone survey of 32 WIN offices. Information was obtained on WIN office activities, attitudes toward the tax credit, procedures for release of confidential material, and practices followed to inform employers of the availability of tax credits.

Demonstration Project Survey

Demonstration projects were conducted in four cities (Minneapolis, Houston, Toledo, and Atlanta) to enhance employer awareness of employment tax credits and to stimulate an increase in tax credit hires. The demonstration projects consisted of information campaigns to acquaint employers with the WIN and welfare tax credits. Informational material was distributed to local TV and radio stations for public service announcements. Direct mail pieces also were sent and phone calls were made to employers from the offices of the National Alliance of Businessmen (NAB). Finally, personal presentations were made to professional, civic, and service organizations.

During the last 6 months (October 1975 - March 1976) of the 8 month information campaign, employers of 312 AFDC recipients in the demonstration cities who had received certification for the WIN tax credit were surveyed by telephone. In addition, 51 employers in the demonstration cities who had not received certification for either tax credit were surveyed.

Employers in four matching cities (Milwaukee, Dallas, Cincinnati, and New Orleans) who had received certification for WIN tax credits (224) and employers not certified for either tax credit (43) were also surveyed by telephone.

The questionnaire used in the telephone interviews in the demonstration and matching cities was the same as that used in the national employer survey.

Special Note on Numbers Of Tax Credit Certifications

Although beyond the scope of this study, it was hypothesized that the relatively low numbers of tax credit certifications may be due in part to nonreporting or underreporting. The base data for numbers of certifications were Department of Labor Reporting Systems (separate systems were checked including the TWX, MA5-98 and ESARS). The base data for all these systems come from a basic WIN document which records activities and transactions called the Status Change Notice. If this document is not completed for a transaction such as a tax credit certification, no record is reported and the number of tax credit certifications is in error. Because the probability of accurately recording placements, which is one of the primary goals of the WIN program, seems much higher than the probability of accurately recording tax credit certifications, we hypothesized that the low number of tax credits was due to significant underreporting.

Although a comprehensive validation was not part of this research study, we used two approaches to investigate this hypothesis. First we searched for points in the reporting system where it seemed probable that tax credit certifications may not be reported and discussed this possibility with persons knowledgeable in WIN program operations and reporting. Second, we used actual counts of tax credit certifications that were furnished to us for sampling purposes from state offices and compared these counts with numbers reported in the ESARS system for the months during which the sample was drawn. This is an imprecise and nonrigorous method, but precise accuracy was not necessary, since we sought only a relative measure of the magnitude and direction of possible errors.

We found that there are points in the system where, in the judgment of program operators and research staff, nonreporting of tax credit certifications was likely, and many specific cases were cited in which

tax credit certifications were not reported. This was primarily found in cases where the tax credit certification was requested after a placement, and a special status change notice would have been required to record the certification. There may also be compensating errors in which the tax credit certification was sent to an employer as a matter of course, but never used by the employer. We estimate the magnitude of underreporting at between 20 and 30 percent based on counts of certifications.

A final note is important. The nature of data analysis is such that there is an automatic tendency to summarize in terms of "central tendency," "overall measure of performance," "primary influence," etc. This study is no different from others in that regard. However, given the complexity of interaction between community, WIN office, business firm and WIN registrant characteristics, there is considerable variation among projects. For every general central tendency there are several exceptions. The composite analysis undertaken in Chapter VII will attempt to integrate findings concerning the interactions of the sectors in Figure 2.1 in terms of both central tendency and exception to central tendency.

CHAPTER III

COMMUNITY VARIABLES

Introduction

As shown in the graphic representation presented in Chapter II (Figure 1), there are three basic sectors involved in the hiring of WIN participants. Before examining each of these sectors and their transactions with one another, we will examine those factors which lie beyond the control of any one sector, namely, the community context with its accompanying attributes and overall levels of activity.

A number of studies were undertaken by IMPACT to correlate the utilization of employment tax credits with such community variables as unemployment rates, composition of community industries, income levels, wage levels, AFDC benefits, etc. Many of the efforts did not yield any significant relationships between such variables. The primary difficulties encountered were with respect to the availability of summary economic data for 1) the time period used in sampling WIN/welfare tax credit certifications, and 2) the geographic area encompassed by the WIN project. With these two constraints operating, the best results were obtained through an investigation of Standard Metropolitan Statistical Areas (SMSA's).

Community Variables Study Method

Fifty Standard Metropolitan Statistical Areas (SMSA's) were used in this analysis. Twenty-five were low tax credit certification areas, as measured by the number of WIN tax credit certifications issued divided by the number of WIN job entrants; and twenty-five were high utilization areas (average utilization was 3.7 percent and 37.5 percent for low and high utilization projects, respectively).

Confining the investigation of community variables to SMSA's has both advantages and disadvantages. The advantages are that more data are available (indeed, this is the primary reason for selecting SMSA's) and, because the WIN offices and the numbers of job entrants are larger, the

resulting contrasts between community contexts become more statistically reliable. The primary shortcoming of such an approach is that it confines itself to areas of higher population density (794/square mile vs. 59/square mile for the U.S.), thereby limiting the generalizability of the findings to higher population density areas.

Findings

Four community variables were significantly related to the utilization of tax credits: population density, level of AFDC benefits, quits, and layoffs (Table 3.1).

TABLE 3.1
COMMUNITY VARIABLES ASSOCIATED WITH
TAX CREDIT UTILIZATION RATES

Community Variable	Pearson's r	Significance
Population Density	-.18	p<.10
Level of AFDC Benefits	-.40	p<.01
Quits	.30	p<.07
Layoffs	-.27	p<.09

Surprisingly, there was no correlation between the rate of unemployment and the utilization of tax credits. (It was hypothesized that areas of high unemployment would offer fewer jobs with subsequently fewer certifications issued.)

It is probably the case, however, that the overall unemployment rate is too gross a measure to be pertinent to the WIN population. Looking instead at the statistics on quits/100 employed and layoffs/100 employed, we get a much different picture. Areas typified by relatively high quits rates (possibly implying more economic opportunity) display higher tax credit utilization rates. There is a symmetry with layoffs in this regard. Areas with high rates of layoffs have lower tax credit utilization. Interestingly, this may also explain the negative association of tax credit utilization with population density. The Pearson

correlation coefficient of layoffs with population density is .44 ($p < .01$); that is, higher population density areas in these SMSA's are generally areas of higher rates of layoffs, and areas with higher rates of layoffs are associated with lower utilization of tax credits. Using the layoff rate as a general proxy measure of the health of a community's economic sector which is pertinent to WIN clients, we can conclude that healthier economic activity levels are positively related to higher tax credit utilization.

Another interesting and significant association was found between the level of AFDC benefits/family and tax credit utilization. Areas with lower AFDC benefits tended to have higher tax credit utilization. It may be that relatively low benefits act as a deterrent to potential AFDC recipients, forcing them to take almost any job rather than trying to survive on welfare.

In summary, of all the possible community and industrial variables which were hypothesized to be related to tax credit utilization, the layoff rate (general proxy of economic activity) and the level of AFDC benefits are most closely associated with tax credit utilization. This finding again underscores the emphasis mentioned in Chapter II concerning the extensive variability in employment tax credit utilization.

CHAPTER IV

CHARACTERISTICS OF WIN/WELFARE REGISTRANTS

Introduction

This chapter summarizes the characteristics of the WIN and welfare tax credit certified employees. Because two different data sources were used to obtain this information, it is not always possible to compare the two groups on each characteristic.

Characteristics of Persons Certified for the Employment Tax Credits

The proportion of WIN tax credit employees by age, education and race generally approximates the ratios of total WIN registrants and job entrants (Table 4.1).

It is important to emphasize that, although WIN participants are part of the AFDC population, the groups served by the two employment tax credits vary with respect to male/female participants. The WIN program includes a much higher proportion of males than does the AFDC population as a whole. This variation is reflected in the percentage of males in the WIN program (27 percent) and the percentage of males entering employment through WIN (35 percent). The AFDC population, on the other hand, is almost entirely female, which is reflected in the high percentage of females in our welfare sample (92 percent).¹

The proportion of males to females is also evident in the percentages of tax credit certifications issued. Males got 36 percent of the WIN tax credit certifications and only 8 percent of the welfare tax credit certifications. One reason for the low percentage of welfare tax credit certifications for males may be the requirement that an individual must have been an AFDC recipient for 90 days in order to qualify an employer for the welfare tax credit. No similar requirement is contained in the WIN tax credit program. Few men, even in states with unemployed father welfare provisions, have been AFDC recipients for more than 90 days.

¹In non-UF states, the percentage of males on welfare assistance is estimated at .05 percent, and in UF states approximately 5 percent of the AFDC population is male.

TABLE 4.1

U.S. WIN REGISTRANT CHARACTERISTICS BY
SELECTED COMPONENTS, FY 1974-FY 1976

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Characteristics	Percent of Total U.S. FY 1974			Percent of Total U.S. FY 1975			Percent of Total U.S. FY 1976		
	Tax Credits	Job Entries	Regis- trants	Tax Credits	Job Entries	Regis- trants	Tax Credits	Job Entries	Regis- trants
TOTAL NUMBER	24,062	83,037	1,534,479	15,641	98,817	1,650,092	28,215	186,062	2,117,754
TOTAL PERCENT	100%	100%	100%	100%	100%	100%	100%	100%	100%
Sex									
Male	27	31	25	30	31	26	35	35	27
Female	73	69	75	70	69	74	65	65	73
Age									
Under 22	16	16	17	17	16	18	18	16	17
22-39	68	67	59	70	68	59	70	68	60
40-44	8	8	10	7	8	9	7	8	9
Over 45	8	9	14	6	8	13	6	8	13
Education									
Under 8	8	7	12	6	6	12	6	7	11
8-11	51	47	50	50	45	50	48	44	49
12	36	38	31	38	40	32	39	40	33
Over 12	5	8	6	6	9	6	7	9	7
Ethnic Group									
White	55	61	55	58	64	57	65	68	55
Black	43	36	42	40	33	40	32	28	39
Am. Indian	1	1	1	1	1	1	1	1	1
Oriental	<1	<1	<1	<1	<1	<1	—	—	—
Other	1	1	2	1	1	2	2	3	5
Spanish Surname	10	10	11	10	10	11	10	12	12

SOURCE: ESARS Table 30, WIN Registrant Characteristics by Selected Components, 1974-1976.

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TABLE 4.2
PROPORTION OF WIN AND WELFARE TAX CREDIT
EMPLOYEES BY SEX

Sex	WIN Users N = (557)	Welfare Users N = (152)
Female	64%	92%
Male	<u>36</u>	<u>8</u>
TOTAL	100%	100%

NOTE: Comparing WIN users in the sample with the sex distribution (FY 1975) for all WIN tax credits in the U.S. $\chi^2 = 8.429$; $df = 1$; $p < .01$.

Occupation. Clerical/sales and service are the primary occupations of AFDC recipients in our sample. Twenty-eight percent of WIN employees and 32 percent of welfare employees were in clerical/sales jobs; while, 21 percent of WIN and 36 percent of welfare employees were in service occupations (Table 4.3). That is, 50 percent of WIN employees and 68 percent of welfare employees work in clerical/sales or service occupations.

If jobs are classified by industry rather than occupation, welfare employees enter the different industrial classifications at approximately the same ratio as the general work force (Table 4.4). This is especially interesting since AFDC employees are predominately female. A difference of only 3 percentage points exists in the percentage of AFDC recipients entering trade industries compared with the general work force. Similarly, only two percentage points separate the percentage of welfare employees entering service industries compared with the general work force. For manufacturing and finance, differences were smaller (Figure 4.1).

TABLE 4.3

WIN AND WELFARE TAX CREDIT EMPLOYEES BY
OCCUPATIONAL TITLE

Occupation	WIN Employees	Welfare Employees
Professional	1.6%	.8%
Clerical/Sales	28.2	32.0
Service	21.4	35.9
Farm	.2	.8
Processing	8.8	11.7
Machine Trades	13.0	3.1
Bench Work	19.4	14.0
Structural	4.1	1.6
Other	<u>3.2</u>	<u>0.0</u>
TOTAL	99.9% (556)	99.9% (128)

NOTE: 1 WIN and 24 welfare respondents did not know or failed to answer this question.

TABLE 4.4

COMPARISON OF NATIONAL LABOR FORCE WITH WIN AND WELFARE
TAX CREDIT EMPLOYEES

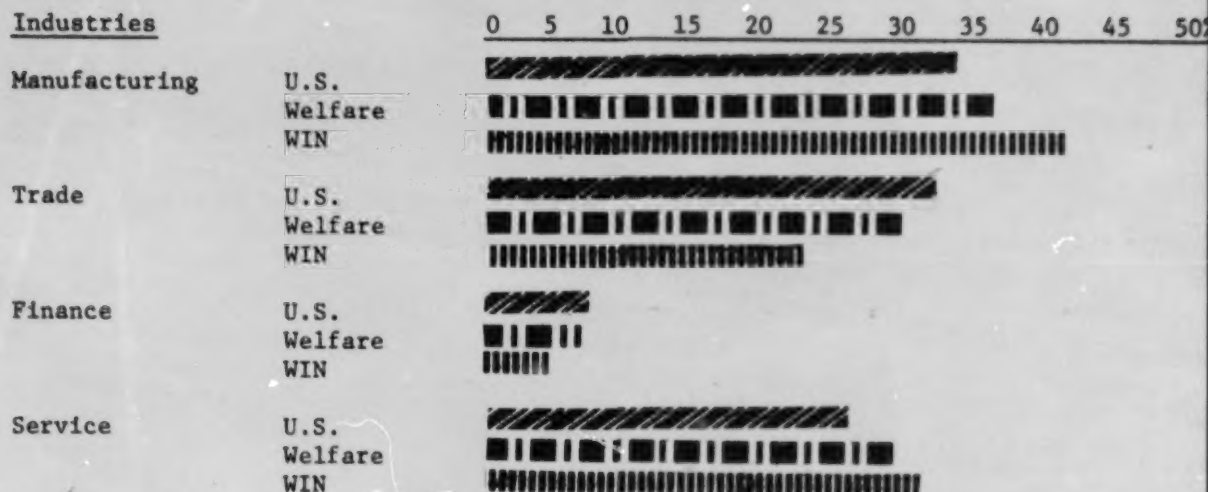
Industry	National Figures			WIN Tax Credit Certifications			Welfare Tax Credit Certifications		
	U.S. Labor Force	Average Hours Per Week	Average Hourly Wage	Job Entries	Average Hours Per Week	Average Hourly Wage	Job Entries	Average Hours Per Week	Average Hourly Wage
Manufacturing	34.3%	40.0	\$4.99	41.0%	37.3	\$2.83	36.2%	36.4	\$2.91
Trade	31.6	33.8	3.86	23.0	36.6	2.74	28.4	31.4	2.34
Finance	7.8	36.5	4.25	5.0	37.1	2.72	7.1	36.5	3.21
Service	<u>26.3</u>	<u>33.7</u>	<u>4.22</u>	<u>31.0</u>	<u>36.2</u>	<u>2.76</u>	<u>28.4</u>	<u>32.4</u>	<u>2.38</u>
TOTAL	100.0% (54 million)	36.1	\$4.37	100.0% (519)	36.8	\$2.78 ^a	100.1% (141)	34.0	\$2.64

NOTE: The population for average hours worked and average wages vary slightly from job entries for WIN and welfare categories.

^aOur sample reflects a slightly lower hourly wage than the national survey of \$2.90 per hour for WIN job entrants. U.S. Department of Labor, U.S. Department of Health, Education, and Welfare, WIN in 76, The Work Incentive Program, Seventh Annual Report to Congress, 1976, p. 3.

Figure 4.1

JOB ENTRIES CLASSIFIED BY INDUSTRY



Wages. During the initial survey, employers were questioned about salaries paid to their employees to determine if there were any differences in earnings between the two employment tax credit programs. Responses indicate 34.5 percent of welfare tax credit certified employees earn \$2.20 or less per hour while 26.1 percent of WIN tax credit certified employees earn no more than \$2.20 per hour. Although there are more welfare tax credit certified employees earning the lower wages than WIN certified, the difference is not significant. However, the fact that more welfare than WIN tax credit certified employees are paid \$2.20 or less per hour may be attributed to the predominance of females with welfare certifications.

Table 4.4 indicates that the average wage for WIN employees in our sample is slightly higher (\$2.78 per hour) than for welfare employees (\$2.64 per hour). Generally, AFDC employees are paid less per hour than the national labor force (\$4.37 per hour).

CHAPTER V

DIFFERENCES BETWEEN WIN OFFICES

Introduction

A special survey consisting of telephone interviews with 32 WIN offices was undertaken to determine whether significant procedural variations exist between offices and whether or not these variations affect the number of tax credit certifications issued.

WIN office managers were asked about their attitude toward the tax credit, the practices followed to inform employers of the tax credit, and the procedures followed in reporting tax credit certifications. These managers were also asked to comment on community variables which affected the placement of WIN clients such as unemployment rates, types of businesses hiring WIN clients, employers' knowledge of and attitude toward the tax credit, and other variables which the managers felt helped or hindered the placement of WIN clients. The offices were then compared for variations which might affect the issuance of tax credit certifications.

Method

A pretest survey of nine WIN offices was undertaken in March of 1976; a larger survey of projects was conducted in December 1976. Twenty-five of the 32 offices used in the present sample were selected on the basis of numbers of tax credit certifications issued in relation to the number of WIN participants entering employment.¹ These offices were chosen on the basis of high or low percent of entered employment certified for a tax credit in the state. Other criteria for the selection included the following:

- Not more than four offices were chosen from any one state,

¹ Eight other WIN offices were interviewed and then discarded either because of non-cooperation from the project manager, incomplete data, or the projects were too small.

- The project had to have a substantial figure for entered employment, and
- The projects were chosen from the same states as the initial employer survey.¹

An additional group of seven offices was selected to represent WIN projects falling between the high and low percentage of tax credit certifications in a state. These were chosen from the 22 states in the employer survey. Thus, the sample offices were divided into three categories, high (13), medium (7), and low (12), based on the percentage of tax credit certifications issued in relation to the number of WIN registrants entering employment.

The national average of tax credit certifications per entered employment is 15.2 percent for 1976, with a median of 8.6.² In this sample, the high category included offices with over 30.36 percent of the entered employment figure being issued tax credit certifications. The medium category consisted of offices having 3.01 to 30.35 percent of the entered employment figure certified. WIN offices having less than 3.00 percent certified were classified as low certification offices.³

Findings

Similarities Among WIN Offices

There was considerable agreement among WIN office managers with respect to their attitudes toward the WIN employment tax credit (all in favor); its importance as a job development tool (important); and the interest of employers in the employment tax credits. There was no differences in responses by offices according to whether they had a high, medium, or low percentage of certifications/entrants.

Differences Among WIN Offices Based on High, Medium, and Low Percentages of Certifications/Entrants

How often the WIN tax credit is mentioned. WIN office managers, regardless of category of tax credit certification, mentioned the tax

¹ Missouri, Connecticut and Maine were added to the original 22 states in the employer survey for regional and categorical balance. Only four projects were included in both the WIN office and employer surveys.

² ESARS, Table 30, Individuals, June 30, 1976.

³ Of the 532 WIN reporting units, 116 (20 percent) of the offices reported no tax credit certifications issued between July 1975 and June 1976. Our sample included two offices with no tax credit certifications.

credit to employers "almost all" or "most of the time" (Table 5.1). However, it is interesting to note that 91.7 percent of the high tax credit certification offices answered "almost all of the time," whereas only 54.5 percent of the low tax credit certification offices answered similarly. Although the categories "almost all of the time" and "most of the time" seem similar, it is possible that the two answers delineate WIN offices which sell the tax credit more aggressively.

Who informs employers of tax credit availability? In the WIN offices in our sample that had a high percentage of certifications, the persons most often informing employers of the tax credit were job developers (Table 5.2). Combined with the previous question, this finding provides another indication that many offices with a high percentage of certifications may also combine the tax credit with efforts to sell the program more intensively.

Problems in placing WIN clients. Fourteen WIN office managers responded to the question of the difficulty of placing WIN clients in employment (Table 5.3). Interestingly, although the number of responses to this question is small, the high certification projects were primarily concerned with poor qualifications on the part of their clients. That being the case, they may use the tax credit more intensively as a "sweetener" in their job placement efforts.

Confidentiality release. Employers often do not file for tax credit certifications because they are unaware of the WIN status of the job applicant. However, some WIN offices require a signed release from the client prior to placement efforts. Table 5.4 shows that there is a slightly greater tendency for medium and high certification offices in our sample to require such a release.

Tax credit eligibility procedures. Twenty-four office managers responded to a question asking how and when employers were informed of their eligibility for an employment tax credit (Table 5.5). Projects with high certifications were much more likely to automatically mail information to employers than were other offices.

TABLE 5.1

HOW OFTEN THE WIN TAX CREDIT IS MENTIONED

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How Often Was The Tax Credit Mentioned?	Type of WIN Project						TOTAL	
	High Percentage of Certifications		Medium Percentage of Certifications		Low Percentage of Certifications			
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Almost all the time	11	91.7	5	71.4	6	54.5	22	73.3
Most of the time			1	14.3	4	36.4	5	16.7
Half of the time	1	8.3	1	14.3			2	6.7
Infrequent-ly					1	9.1	1	3.3
TOTAL	12	100.0	7	100.0	11	100.0	30	100.0

NOTE: Two projects did not answer this question.

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TABLE 5.2

PERSONS INFORMING EMPLOYERS OF TAX CREDIT

Position	Type of WIN Project (n = 31)						TOTAL	
	High Percentage of Certifications (n = 12)		Medium Percentage of Certifications (n = 7)		Low Percentage of Certifications (n = 12)			
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Job Developers	9	75.0	3	50.0	2	16.7	14	45.2
Manpower Specialist	1	8.3	1	16.7	2	16.7	4	14.4
Contract Specialist	2	16.7	1	16.7	2	16.7	5	16.1
Field Representative	1	8.3			1	8.3	2	6.5
Counselor/Interviewer	3	25.0	1	16.7	4	33.3	8	25.8
Entire Staff	2	16.7			2	16.7	4	14.4
Person Assigned					2	16.7	2	6.5
TOTAL	18	150.0	6	100.0	15	125.1	39	128.9

NOTE: Multiple responses are included in totals.

TABLE 5.3

DIFFICULTIES IN PLACING WIN CLIENTS

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Difficulties In Placing WIN Clients	Type of WIN Project (n = 14)						TOTAL	
	High Percentage of Certifications (n = 5)		Medium Percentage of Certifications (n = 3)		Low Percentage of Certifications (n = 6)			
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Unemployment Rate	1	20	2	66.7	1	16.7	4	28.6
Transportation	1	20	1	33.3	2	33.3	4	28.6
Child Care	1	20	1	33.3	1	16.7	3	21.4
Poor Qualifications	4	80	1	33.3	2	33.3	7	50.0
Wages					1	16.7	1	7.1
Size of Business	1	20					1	7.1
TOTAL	8	160.0	5	166.6	7	116.7	20	142.9

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NOTE: Multiple responses are included in totals.

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TABLE 5.4
RELEASE OF CONFIDENTIAL INFORMATION

Is Signed Release Necessary?	Type of WIN Project (n = 31)						TOTAL	
	High Percentage of Certifications		Medium Percentage of Certifications		Low Percentage of Certifications			
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Yes	7	53.8	4	57.1	4	36.4	15	48.4
No	6	46.2	3	42.9	7	63.6	16	51.6
TOTAL	13	100.0	7	100.0	11	100.0	31	100.0

NOTE: One office did not answer this question.

TABLE 5.5
TAX CREDIT ELIGIBILITY PROCEDURES

Method	Type of WIN Project (n = 22)						TOTAL	
	High Percentage of Certifications (n = 9)		Medium Percentage of Certifications (n = 5)		Low Percentage of Certifications (n = 8)			
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Automatic Mailing	7	77.8	2	40.0	3	37.5	12	59.1
Word of Mouth	1	11.1	1	20.0	2	25.0	4	18.2
Phone/Visit Contact	2 ^a	22.2	3 ^a	60.0	1	12.5	1	27.3
Done at Placement					1	12.5	1	4.5
Employer Calls WIN					1	12.5	1	4.5
TOTAL	10	111.1	6	120.0	8	100.0	24	113.6

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^a Includes one double response; i.e., one project in high category and one in medium category answered with both automatic mailing and phone/visit contact.

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Summary

The number of WIN offices in this survey is much too small to provide statistically significant inferences about the 532 WIN offices throughout the country. Yet, if one were to hypothesize that offices with high percentages of certifications are simply more aggressive sellers, one would find no responses to the questions in this survey which would contradict such a hypothesis. High certification projects in our sample mentioned the tax credit more often, promoted the tax credit through job developers more often, more often perceived the qualifications of their clients to be their most serious difficulty, and more often tended to obtain a confidentiality release than did offices with a lower percentage of certifications. Taken together, these findings are compatible with, but not necessarily indicative of, a profile of projects which more actively assert themselves in "selling" their clients.

There is also some statistical evidence for the assertion that the extent of tax credit utilization is dependent upon the individual selling efforts of WIN office employees. In the sample of high and low certification SMSA's which were used to investigate community variables, there was a strong positive correlation between the percentage of entrants placed by WIN and the percentage of tax credit certifications issued (Pearson's $r = .59$, $p < .0001$).

One obvious conclusion which can be drawn from this statistic is that WIN clients who obtain their own jobs may not often indicate their WIN and/or AFDC status (which has been amply verified in the business firm surveys and seminars) and do not use the tax credit inducement to sell themselves.

More importantly, while this correlation does not constitute an immediate all-encompassing proxy measure of effectiveness for individual WIN offices (many other factors may be at work in the community which make it more difficult for some WIN offices to place clients),¹ it does lend general support for the assertion that the WIN office itself is an important factor in the degree of utilization of the WIN employment tax credit.

¹ In particular, it was found that the percentage of placements by the WIN office was negatively associated with the layoff rate in the community ($r = -.35$, $p < .04$); i.e., the higher the layoff rate, the lower the percentage of certification issued. More will be said about this in the composite analysis in Chapter VII.

A similar conclusion can be reached when reading the comments of businessmen found in the group interviews conducted by IMPACT. A typical response was given by a company controller:

The lady that they have here who operates this WIN program is some super kind of gal. Extremely efficient, very cooperative. She worked very closely with us. Whenever we wanted people screened into particular areas or for specific functions, she handled that for us. Took that part of the interviewing off our hands. You couldn't have asked for more cooperation.¹

¹ Frederick Manzara, Organizational Impediments Within the Firm to the Use of the Employment Tax Credits (Minneapolis: IMPACT, September 1976).

CHAPTER VI

BUSINESS FIRMS AND THEIR UTILIZATION OF EMPLOYMENT TAX CREDITS

Introduction

Looking once more at our conceptual framework for investigating employment tax credits, we will now turn to the business sector component. This sector can be divided into two main categories: business firms which use the tax credit and business firms which do not. A further subcategory will also be discussed in this chapter; namely, businesses who do not use the employment tax credit, but are or are not aware of the availability of the tax credits. As Figure 2.1 shows, there were two primary sources of employment information. The first was a telephone survey of users and nonusers of the tax credit.¹ The second primary data source was a seminar or group interview with the personnel, accounting, taxation, administration and supervisory staffs of several firms.

Methodology

Employer Surveys

In this study, parallel procedures were used in examining the WIN and welfare tax credits. There were a number of surveys made of employers who had obtained WIN tax credit certifications (eligibility declarations) and a number of² similar surveys for those obtaining welfare tax credit certifications.

¹An additional 74 users and 118 nonusers were interviewed but judged nonusable because of incomplete responses. See Figure 2.1, p.16.

²Copies of interview forms can be found in Appendix B.

WIN Tax Credit Surveys

Twenty-two states were selected for the employer WIN tax credit survey on the basis of geographic location, the existence of an unemployed father AFDC provision and population density (above or below 59 persons per square mile). Table 6.1 lists the states selected by these criteria.

TABLE 6.1

STATES IN THE WIN TAX CREDIT SURVEY

Geographic Area	AFDC-UF Provision	No AFDC-UF Provision
North East:	Maryland - H Massachusetts - H New York - H Vermont - L	New Jersey - H Virginia - H
South:	Kentucky - H	Georgia - H Louisiana - H Texas - L
North Central:	Illinois - H Kansas - L Minnesota - L Nebraska - L	
West:	California - H Colorado - L Oregon - L Utah - L Washington - L	Arizona - L North Dakota - L Wyoming - L

NOTE: States with a population density above (H) or below (L) the national average.

Each of the state WIN offices, except California, was willing to provide copies of the WIN tax credit certifications issued during the first 12 months of FY 1976. Thus, the sampling was done on a state-wide basis rather than in selected counties. The California WIN office chose the WIN tax credit certifications to be included in the sample, one out of every 15, and sent copies of these to the IMPACT office.

In deciding on the number of WIN tax credit certifications to be selected for the initial sample, the number issued in the previous fiscal years was considered. The actual certifications included in the sample were selected systematically from those received from a state, e.g., for Arizona with 4 out of an expected 106 to be selected, out of every 26 forms was selected. Some administrative adjustments on the number for each state were made after January 1976, as some states did not appear to conform to the expected number of certifications.

Since the sample was taken on the basis of WIN tax credit certifications for particular individuals, two points must be mentioned. First, it was possible for an individual to be certified by more than one employer. In our sample, one case occurred where the same individual was certified by two different employers. Secondly, it was possible for the employer to be identical for two or more individuals. When these two cases occurred, the individual and the employer were counted as many times as certifications were issued.

After the initial survey, there were three additional surveys using subsamples of the original sample. While the initial survey was usually done within 1 or 2 months of the data of the certification, the next survey followed a lapse of several months (called the 3 month survey).

A final survey (called the 12-month survey) was undertaken to determine whether any trends were taking place since the initial survey. To avoid problems with poor response (some businesses surveyed were tiring of the process), about half of the employers in the 12-month survey had not been contacted since the initial survey; the other half had been contacted for additional surveys.

Welfare Tax Credit Surveys

Because of a very low number of certifications for the welfare tax credit, some of the 22 states used for the WIN tax credit survey could not be used for the welfare tax credit survey. In addition, three supplemental states were added to the sample. Table 6.2 lists the 15 states used in the welfare tax credit survey by area and indicates whether the state has an unemployed father AFDC provision and whether the population density is above (H) or below (L) the national average of 59 persons per square mile.

TABLE 6.2
STATES IN THE WELFARE TAX CREDIT SURVEY

Geographic Area	AFDC-UF	No AFDC-UF
North East:	Maryland - H Massachusetts - H Vermont - L	Virginia - H
South:		Georgia - H Louisiana - H Mississippi - L New Mexico - L Oklahoma - L Texas - L
North Central:	Minnesota - L Nebraska - L	
West:	Oregon - L Washington - L	North Dakota - L

NOTE: States with population density above (H) or below (L) the national average.

It was originally expected that the number of welfare tax credit certifications obtained would be similar in distribution to the number of WIN tax credit certifications since both programs involve AFDC recipients. Adjustments had to be made once it was determined that the number of welfare tax credit certifications received were too small for the original design and too great to include every certification in the initial survey. After the initial survey, the same subsamples were used for the welfare tax credit as for the WIN tax credit.

The Nonuser Survey

There were two nonuser surveys. The first was conducted from December 1975 to January 1976. A total of 521 interviews were conducted with employers not known to have obtained a WIN or welfare tax credit certification. These employers were selected to match the industrial classifications and geographic distributions of the employers contacted for the

initial WIN tax credit survey. Table C.1 in Appendix C gives the actual geographic distribution. From the 521 interviews, 403 were declared usable, i.e., the employer was responsive, had not taken an employment tax credit, and represented a profit-making firm.

Group Interviews

Inasmuch as several departments of a firm may be involved in the decision process regarding the hiring of WIN/welfare participants and applications for tax credit certification, interviews were designed to include people from the personnel, accounting, taxation, administration and supervisory departments of 18 small firms (under 1,000 employees) and 20 large firms from various industries.

Of the 38 firms represented, 17 were manufacturers, 8 retailers, 3 hospitals, 3 law firms, 2 insurance companies, 2 public utilities, 1 wholesaler, 1 bank, and 1 janitorial service. Of the 38 firms, 22 had hired WIN clients and 16 had not. One of the hospitals was a nonprofit corporation.

A total of 56 persons attended the various meetings: 4 from top administration, 35 from personnel, 8 from accounting and control, 4 from tax departments, 2 from line supervision, and 3 independent attorneys. The firms in attendance are listed in Appendix D along with qualifying characteristics.

Innumerable telephone calls were made to those in attendance and to others in their firms in order to obtain additional information on important points. Calls were also made to the persons in charge of preparing the tax returns in each of the firms which had personnel in attendance, to determine whether they had filed for the employment tax credits and whether they had any of the claims recomputed or recaptured. Finally, many calls were made to accounting firms, U.S. Internal Revenue Services offices, the Minnesota State Department of Human Rights, and various other agencies in order to gain greater insights into some of the problems which surfaced at the meetings.

Knowledge of the Employment Tax Credits

Before a program can function as an incentive, potential users must be informed of it. Accordingly, this analysis begins with an examination of awareness of the program on the part of potential users.

Table 6.3 shows knowledge of the WIN tax credit by firms to which certifications have been issued (users) and Table 6.4 shows knowledge by firms which have not obtained certifications (nonusers). The data are displayed separately because two different survey samples were used. These data show that 78 percent of the users knew of the WIN tax credit, while only 52 percent of the nonusers knew about it.

TABLE 6.3

KNOWLEDGE OF THE WIN TAX CREDIT AMONG
WIN USERS BY INDUSTRY

Knew of the WIN Tax Credit	Industry				TOTAL
	Manufacturing	Trade	Finance	Service	
Yes	88%	74%	82%	68%	78%
No	<u>12</u>	<u>26</u>	<u>18</u>	<u>32</u>	<u>22</u>
TOTAL	100% (209)	100% (117)	100% (28)	100% (154)	100% (508)

NOTE: Missing Observations - 49

TABLE 6.4

KNOWLEDGE OF THE WIN TAX CREDIT AMONG
NONUSERS BY INDUSTRY

Knew of the WIN Tax Credit	Industry				TOTAL
	Manufacturing	Trade	Finance	Service	
Yes	53%	50%	68%	48%	52%
No	<u>47</u>	<u>50</u>	<u>32</u>	<u>52</u>	<u>48</u>
TOTAL	100% (136)	100% (103)	100% (22)	100% (115)	100% (376)

NOTE: Missing Observations - 19

Knowledge of WIN Tax Credit by Type of Industry

Among users, manufacturing and finance firms were more aware of the existence of employment tax credits than firms in retail and wholesale trade. Because of the practice of some WIN offices of sending certifications without a request from the employers, these numbers may merely indicate the relative attention shown these industries by WIN office personnel.

A better indication of the distribution of knowledge about the WIN tax credit is provided in Table 6.4 (nonuser) where it is shown that respondents in finance firms are more likely to say they know about the tax credit than is true of respondents in the other industry segments, but the difference is not significant. These figures do indicate that knowledge about the WIN tax credit is not more widespread in one industry than it is in any other.

Knowledge of WIN Tax Credit by Size of Business

While there is no relationship between industry classification and knowledge of the WIN tax credit, there is a direct relationship between the size of the firm and knowledge of the WIN tax credit among both users and nonusers. As Table 6.5 shows, 86 percent of WIN users with 100 or more employees knew of the tax credit at the time they hired their WIN employee as compared with 69 percent of employers with fewer than 25 employees. In the nonuser group, 69 percent of the large employers knew of the tax credit, while 45 percent of the small employers knew of it (Table 6.6).

Again, the incidence of knowledge among users may indicate that WIN personnel are more attentive to the larger firms than to the smaller, or that larger firms have better information systems. Table 6.6 does show, however, that the larger firms are more likely to know about the tax credit in any case. This is probably because larger firms have more specialists, and because they receive more attention from information sources of virtually all kinds.

Knowledge of WIN Tax Credit by Source of Information

Table 6.7 shows the frequency with which various sources of information are mentioned by respondents when asked how they learned about the WIN tax credit. Most mentions, by far, are from the State Employment Services or WIN offices, with scattered mentions for remaining media. In the case of nonusers, the public media have a relatively large number of mentions. This may be because, in cases of uncertainty, public media are the best guess. If WIN or ES is the most mentioned source of information, it tends to support the hypothesis that the efforts of these offices may be the strongest determinants of use.

TABLE 6.5

KNOWLEDGE OF THE WIN TAX CREDIT AMONG
WIN USERS BY SIZE OF BUSINESS

Knew of the WIN Tax Credit	Number of Employees			TOTAL
	Less than 25	25-99	100 or More	
Yes	69%	77%	86%	77%
No	<u>31</u>	<u>23</u>	<u>14</u>	<u>23</u>
TOTAL	100% (203)	100% (163)	100% (176)	100% (542)

NOTE: Missing Observations - 15

TABLE 6.6

KNOWLEDGE OF THE WIN TAX CREDIT AMONG
NONUSERS BY SIZE OF BUSINESS

Knew of the WIN Tax Credit	Number of Employees			TOTAL
	Less than 25	25-99	100 or More	
Yes	45%	50%	69%	51%
No	<u>55</u>	<u>50</u>	<u>31</u>	<u>49</u>
TOTAL	100% (203)	100% (116)	100% (71)	100% (390)

NOTE: Missing Observations - 5

TABLE 6.7

SOURCES OF INFORMATION ABOUT THE WIN TAX CREDIT

Source of Information	Tax Credit Users		Tax Credit Nonusers	
	Number	Percent	Number	Percent
State Employment Service or WIN	493	89%	124	31%
Internal Revenue Service	19	3	15	4
Employee	46	8	16	4
NAB	14	3	20	5
Welfare Department	13	2	14	4
Tax Accountant	38	7	23	6
Public Media	<u>32</u>	<u>6</u>	<u>75</u>	<u>19</u>
TOTAL	655	--	287	--

NOTE: Since each employer could give more than one response or no response to this question, the total number of responses is different than the number of employers in the sample. However, the percentages are calculated using the number of employers responding and therefore represent the proportion of respondents who mentioned each source of information.

Knowledge of Welfare Tax Credits

Table 6.8 shows that knowledge of the welfare tax credit is limited to about 15 percent of the respondents. This is less than one-third of those who know about the WIN tax credit, but this is not surprising in view of the shorter period of time that the welfare tax credit has been in effect.

TABLE 6.8
KNOWLEDGE OF THE WELFARE TAX CREDIT AMONG
WIN USERS AND NONUSERS

Knowledge of the Welfare Tax Credit	WIN Users		Nonusers		TOTAL	
	Number	Percent	Number	Percent	Number	Percent
Aware	76	14%	67	17%	143	15%
Not Aware	<u>472</u>	<u>86</u>	<u>322</u>	<u>83</u>	<u>794</u>	<u>85</u>
TOTAL	548*	100%	389**	100%	937	100%

NOTE: Missing Observations - 9

NOTE: Missing Observations - 6

Users of the WIN tax credit are less likely to be aware of the welfare tax credit than are nonusers. One plausible explanation for this unexpected result is that WIN users are in closer contact with WIN offices than are nonusers and are more knowledgeable that differences exist between the two credits although they may not know what they are. Nonusers, whose contacts with the WIN office are not as close, may know that an employment tax credit exists and may confuse the WIN tax credit with the welfare tax credit, thus lumping them both together when answering the question.

Informational Impact of a Demonstration Project

In order to determine the effects of an intensive information campaign on the utilization of the WIN/welfare tax credits, a demonstration project was undertaken by IMPACT in four selected cities:

Minneapolis, Houston, Toledo and Atlanta. The description and evaluation of this demonstration project are summarized in Appendixes D and F. Briefly, at the end of an 8-month period, about 31 percent of all employers in the demonstration cities claimed to know about the WIN/welfare tax credit, compared with 15 percent of the employers nationally.

Table 6.9 shows that the number of job entries for WIN/welfare registrants increased by 95 percent in the demonstration cities compared with a 54 percent increase for the nation. The number of WIN/welfare tax credit certifications increased 100 percent in the demonstration cities as compared with 45 percent nationally.

It appears that the information program is associated with an improved awareness of the welfare tax credit of 100 percent and of the WIN tax credit of 12 percent. Because there was little attempt to differentiate the two tax credits, it is difficult to relate the effects of the campaign to certifications for either of the tax credits, but certifications for both did increase, as did WIN job entries, and the ratio of certifications to job entries.

It is noted in Chapter V that the efforts of the WIN office employees are major determinants of WIN tax credit usage. If this is true, the information campaign heightened the effectiveness of the WIN employees by providing them leads and inquiries. It is most probable that without the inquiry-generating feature of the information program, the effects would be negligible, at least in the short run. That is, information, by itself, is probably inadequate to increase utilization of the tax credits.

Incentive Value of the Employment Tax Credits

One measure of the effectiveness of WIN and welfare tax credits is the extent to which they influence employers to hire AFDC recipients. In the employer survey a five-option question was used to determine the incentive value of tax credits in hiring decisions. Employers were asked if a tax credit was: a requisite condition, a significant factor, a contributing element, a remote consideration, or not a consideration in making the hiring decision. (An analysis of variations in numbers of certifications is provided in Appendix C).

Effect of WIN Tax Credit on Hiring Decisions

Only 11.1 percent of the employers in our sample who have received tax credit certifications stated that the WIN tax credit was a least a significant factor in their hiring decisions. About 32 percent responded that it had been a contributing element, but not a major consideration; and about 57 percent said that it was either a remote

TABLE 6.9
UTILIZATION OF THE WIN TAX CREDIT BEFORE AND
DURING THE DEMONSTRATION PROJECT

Utilization	Demonstration Cities		US Total	
	Nov. 1974 to June 1975	Nov. 1975 to June 1976	Nov. 1974 to June 1975	Nov. 1975 to June 1976
Number of Job Entries	1050	2085	62,769	96,694
Number of WIN Tax Credit Certifications	366	732	16,183	23,473
Percentage change in Job Entries	95%		54%	
Percent Change in Certifications	100%		45%	

NOTE: November through June was the base period for monitoring tax credit certifications, whereas job entries were monitored from February to June of the respective years.

consideration or not a consideration in hiring decisions (Table 6.10). These findings are consistent with the previous Illinois-Texas follow-up study in which nine percent of the employers interviewed considered the tax credit as significant in hiring decisions and 60 percent stated that it was unimportant.¹

A more specific question with respect to the incentive value of the tax credit was asked in the 3 month follow-up survey. The 303 employers who had received WIN tax credit certifications were asked if they would

¹Sheryl L. Grams and David L. Thompson, A Follow-up Survey of Tax Credit Users in Illinois and Texas. Minneapolis: MRI - North Star Division, June 1975).

have made the WIN hire without the tax credit. Over 95 percent responded they would have made the hire without the tax credit (Table 6.11). Thus, the tax credit was a prerequisite for only about 5 percent of the employers in our follow-up sample.

Since this was a subsample of the 557 employers initially surveyed, there was some question as to whether the responses were representative of the total sample. We examined the responses to the incentive question in the initial survey of this subsample of employers and compared them to the responses of those employers not in the follow-up survey (Table 6.10). No significant differences were observed between the responses of those in the follow-up survey and of those not in the follow-up. Therefore, responses in the follow-up subsample of employers appear to be representative of the total sample.

TABLE 6.10

EFFECT OF WIN TAX CREDIT ON HIRING DECISIONS

Importance of Tax Credit	WIN Tax Credit Certified Employers		
	Total Sample	Sample Follow-up	Not in Follow-up
Requisite Condition	1.5%	1.7%	1.3%
Significant Factor	9.6	9.7	9.6
Contributing Element	31.5	31.1	31.9
Remove Consideration	10.5	11.1	9.7
Not Considered	<u>46.9</u>	<u>46.4</u>	<u>47.5</u>
TOTAL	100% (527)	100% (289)	100% (238)

NOTE: Responses of the follow-up sample compared with the responses of employers not in the follow-up. $\chi^2 = 0.49$; $df = 8$; $p > .10$.

TABLE 6.11

IMPORTANCE OF THE WIN TAX CREDIT IN HIRING DECISIONS:
RESULTS OF FOLLOW-UP INTERVIEWS

Would Have Hired WIN Employee Without WIN Tax Credit	WIN Tax Credit Certified Employers
Yes	95.3%
No	<u>4.7</u>
TOTAL	100% (258)

NOTES: Includes only tax credit certified employers who were in the follow-up survey.
Missing Observations - 45.

Effect of WIN Tax Credit on Retention of Employees

Employer responses were analyzed to determine whether the incentive value of the WIN tax credit at the time of hire was related to employee job retention at the time of the initial interview (Table 6.12). No consistent relationship was observed.

TABLE 6.12

WIN TAX CREDIT INCENTIVE TO RETAIN EMPLOYEES

Still Employed	Requisite Condition	Signifi- cant Factor	Contri- buting Element	Remote Consider- ation	Not Considered
Yes	71.4%	52.0%	67.5%	62.3%	59.7%
No	<u>28.6</u>	<u>48.0</u>	<u>32.5</u>	<u>37.7</u>	<u>40.3</u>
TOTAL	100% (7)	100% (50)	100% (163)	100% (53)	100% (243)

NOTE: $\chi^2 = 5.013$; $df = 4$; $p > .10$. Missing Observations - 42.

Attitudes Toward Employment Tax Credits and AFDC Employees

Employers were asked questions during the special tax time survey which was conducted in order to determine their attitudes about employment tax credits and to determine their reactions to employees who make them eligible for tax credits. About 77 percent of employers certified for the WIN tax credit characterized welfare recipients as having poor qualifications and poor work attitudes. Similarly, 69 percent of employers with welfare tax credit certifications indicated the same (Table 6.13).

TABLE 6.13

REASONS GIVEN FOR NOT HIRING MORE AFDC EMPLOYEES

Reason	WIN Tax Credit	Welfare Tax Credit
Poor Work Attitudes	49.5%	62.0%
Poor Qualifications	21.5	6.9
Program Not Understood	12.1	10.3
Poorly Trained	2.8	6.9
Poor Referral System	9.3	3.4
Not Hiring	2.8	3.4
Anti-Gov't Programs	1.9	3.4
Too Much Paperwork		3.4
TOTAL	99.9% (29)	99.7% (107)

However, when questioned about their satisfaction with specific AFDC employees, attitudes were much improved. Over 80 percent of employers with WIN and welfare tax credit certifications expressed satisfaction with their AFDC employees (Table 6.14). This may reflect a change in attitude toward specific welfare recipients due to their performance exceeding earlier expectations.

TABLE 6.14

EMPLOYER SATISFACTION WITH SPECIFIC TAX CREDIT EMPLOYEES

Level of Satisfaction	WIN Employers	Welfare Employers
Satisfied	80.4%	87.0%
Indifferent	3.9	7.8
Dissatisfied	15.7	5.2
TOTAL	100.0% (510)	100.0% (115)

NOTE: 47 WIN and 37 welfare employers did not know or did not answer the question.

Employer Understanding of the WIN Tax Credit Program

When nonusers of the WIN tax credit were asked who they do not hire WIN participants so they may become eligible for the WIN tax credit, the most frequent response was that they do not understand the WIN tax credit program. The most frequently mentioned suggestion for improving the WIN tax credit program was to provide better publicity for the program (Table 6.15).

Responses to our employer survey indicate that awareness alone is not sufficient to prompt employers to take advantage of the WIN tax credit program (Table 6.16). Among the employers not certified for the tax credit, half were aware of it.

The apparent success in stimulating some job entry increase in the demonstration cities may reflect the heavy involvement of the National Alliance of Businessmen (NAB) mentioned on page 19.

TABLE 6.15
SUGGESTED WAYS FOR GOVERNMENT TO ACHIEVE
MORE WIN HIRES

Suggestions	Nonusers of Tax Credit Certifications
Better Publicity	20.3%
Skills Training	9.9
Better Screening	6.0
Follow-up Counseling	3.8
Attitude Modification	3.8
Easier Identification	6.6
Increase Amount of Credit	0.5
Reduce Regulation	4.4
Don't Know/No Answer	44.5
TOTAL	99.6% (182)

TABLE 6.16
KNOWLEDGE OF THE WIN TAX CREDIT AMONG
EMPLOYERS IN SAMPLE

Knowledge of WIN Tax Credit	Tax Credit Certified Employer ¹	Employers not Certified for Tax Credit	TOTAL
Aware	77%	51%	66%
Not Aware	<u>23</u>	<u>49</u>	<u>34</u>
TOTAL	100% (545)	100% (393)	100% (938)

NOTE: 12 tax credit certified employers and 2 employers not certified did not know or did not answer this question.

¹Indicates awareness before WIN hire.

Employers Reactions to the Retention Features of the WIN and Welfare Tax Credits

Table 6.17 shows the percentages of employment tax certification employees still employed at the time of the three month follow-up interviews.

TABLE 6.17
RETENTION RATE OF WIN AND WELFARE TAX CREDIT EMPLOYEES

Still Employed	WIN		Welfare	
	Initial Percent	3 month Percent	Initial Percent	3 month Percent
Yes	61.7	45.2	75.9	63.3
No	<u>38.3</u>	<u>54.8</u>	<u>24.1</u>	<u>36.6</u>
TOTAL	100.0 (543)	100.0 (294)	100.0 (108)	99.9 (71)

NOTE: Initial survey $p > .01$; 3 month survey $p > .01$.

It is interesting to note that although the WIN tax credit has the longest retention period requirements (12 months vs. 30 days for the welfare tax credit), a higher percentage of welfare certification employees was still employed at the time of both surveys. Furthermore, the percentage reduction of WIN certified employees during this period was greater than that of welfare certified employees (27 percent vs. 17 percent, respectively).

However, when examining the reasons why WIN/welfare employees are no longer employed, no significant differences were found (Table 6.18).

TABLE 6.18
REASON WIN AND WELFARE EMPLOYEES
ARE NO LONGER EMPLOYED

Reason	WIN	Welfare
	Percent	Percent
Quit	51.2	53.8
Fired	18.9	23.1
Laid Off	<u>28.6</u>	<u>23.1</u>
TOTAL	100.0 (164)	100.0 (13)

NOTE: 35 WIN and 13 welfare employers did not know or did not answer the question.

Although retention rates for WIN employees are low, employers did not consider the retention requirements in the act to be a negative factor. It may be that many employers remain eligible for a tax credit even though the WIN hire was employed only a short time. Employers in our sample indicated that approximately 70 percent of the time the employee quit or was fired (Table 6.18). In most of these cases, the employer would still be eligible for a tax credit despite the fact that the employee was not retained for 12 months.

Employer Reaction to Tax Credit Maximum

Another possible problem with both tax credits is the limit on the amount that can be claimed (20 percent of wages). Some employers expressed dissatisfaction with this provision, stating that the record keeping and other efforts involved in claiming the credit are not worth the return they would receive. One-fourth of the employers without tax credit certifications and 15 percent of those with WIN tax credit certifications in our sample said that the tax credit should be for a greater proportion of the employee's wages (Table 6.19). It is possible that increasing the amount of the tax credit might encourage employers to use it more often, and, in the case of the employer with certifications, to continue its use. However, most employers in both groups either said that the proportion should not be increased or did not answer the question. Although an increase in the amount of the credit might have some effect on tax credit use, for the majority of employer users it would probably not encourage more WIN/welfare hires.

TABLE 6.19

PROPORTION OF WAGES ALLOWED TO BE CLAIMED
AS AN EMPLOYMENT TAX CREDIT

Should the Tax Credit be a Greater Proportion?	Tax Credit Certified Employer	Employers not Certified for Tax Credit
Yes	15%	25%
No	15	28
Don't Know/No Answer	<u>70</u>	<u>47</u>
TOTAL	100% (557)	100% (395)

Organizational Impediments Within the Firm to Employment Tax Credits

In addition to the employer telephone survey, a series of seminars was held with several personnel from various departments within the firm to:

1. Determine how a decision is made in a firm to use or not use the employment tax credits;
2. Examine the procedures used by firms to implement the employment tax credits if an affirmative decision is made;
3. Identify those aspects of the legislation which complicate those procedures or make them more expensive to accomplish; and
4. Recommend changes which will make the tax credits easier to use.

Methodology

The method used to generate the required data was the group interview. Inasmuch as several departments of a firm may be involved in the decision process, the implementation procedures, or both, interviews were designed to include people from personnel, accounting, taxation, administration and supervision. In some cases the participating group included only persons from one firm; in other cases several firms were involved in the interviews. This method permitted a more careful analysis of the flow of communications in the firm with fewer interviews than is possible by interviewing individuals in the firm separately. In some cases, however, it was necessary to talk to others in the firm who were not present at the interview in order to gain a better understanding of the decision process.

This method enabled a detailed questioning in the search for testable hypotheses relating to the objectives, and provided avenues of exploration that shed light on many problems. The participants did not represent a statistically defensible sample, and any generalization which may be made on the basis of the data obtained cannot be projected for larger groups. Although this method did not yield conclusive answers, it did generate some promising suggestions.

Summary of Seminar Findings

A complete volume of the seminar questions and responses has been produced as a separate publication by IMPACT. The results of these interviews are summarized below:

The employment tax credits have been made available to employers as an incentive to hire persons who are on AFDC. The incentive is thought to be necessary because it is recognized that there is widespread bias toward persons who are on welfare, or "on relief." The interviews produced ample evidence of this bias, so that the preponderant attitude is that people on welfare are poorly motivated, unreliable, and unproductive. This attitude is the basis for the generally held opinion that hiring people on welfare is more risky than hiring the average applicant who is not on welfare. Ordinary business prudence operates on the side of minimizing risks to the extent that this is possible.¹

That there is a higher than usual risk would be unimportant if the use of the tax credit involved no changes in hiring practices and procedures. The fact is, however, that changes are required in virtually every phase of the hiring process, from the placement of the job order to the maintenance of records in order to prepare IRS Form 4874-FY and to claim the tax credit. Where a change is necessary, a decision is necessary; and the greater the perceived risk in making the change, the more pronounced is the tendency to involve more people in the firm in the decision. When the job description of any functionary in the firm does not contain the authority to make a decision, the usual procedure is to pass the decision on up the line or to sit on it.

There is usually some question as to who else in the firm must be involved to make the program function in the way it is expected. Personnel is usually involved, but personnel does not keep the tax data or file the tax returns. Accounting may be involved if payroll is a responsibility of accounting; but accounting does not know how to obtain WIN/welfare people, or how to identify them in the firm. The tax department is involved but they do not keep payroll records in a form which permits extraction of the WIN/welfare people, and they do not know what is involved in seeking to hire WIN/welfare people. Supervisory personnel are involved because they are often the ones who make the final hiring decision, and who must work with the new employees. Usually supervisory

¹ Frederick Manzara, Organizational Impediments Within the Firm to the Use of the Employment Tax Credits (Minneapolis: Institute for Manpower Program Analysis, Consultation and Training, Inc., February, 1977).

personnel are more concerned with getting the job done than with taking the tax credit; but where they are concerned with taking the tax credit, they do not know what kind of documentation is required or who is to receive it.

So implementation of the employment tax credit program does require the efforts of more than one person in the firm, especially in the larger firms. Even in the smaller firms, personnel will usually not act without clearance from the president. There are instances where one person will implement the program; but on the basis of the interview data, when this occurs very little hiring is done anyway. As a result of this tendency to minimize risks, the routine decision processes in the firm are more rigorously utilized, and it is rare when one person finally has the information, the authority, and the incentive to implement the program.

More specific implications and recommendations of these findings will be discussed in the composite analysis in Chapter VII.

CHAPTER VII

COMPOSITE ANALYSIS

A Perspective on the Incentive Value of Tax Credits Generally

Before beginning a composite analysis of the interaction between WIN/welfare clients, WIN offices and business firms within a particular community context, it may be helpful to develop a perspective concerning the incentive value of investment and employment tax credits generally.

As was previously mentioned in a study by Halvorson of 66 large companies, only 9 percent gave material consideration to the investment tax credit when making capital expenditure decisions.¹ Many firms felt that the importance of investment credit was less than that of other variables used in analyzing capital expenditures, and that competitive necessities dictate the major role in capital investment decisions.

The Halvorson study indicated that large businesses regard the investment credit primarily for its impact on cash flow rather than actual capital expenditures. Similar conclusions were reached in a study by Edwards. As he so succinctly stated, "A firm cannot earn income merely by buying assets."² The primary consideration in such spending decisions is the contribution toward the firm's profitability. If the equipment would make such a contribution, it would be purchased anyway and the tax credit would be a windfall to the firm. At best, the investment tax credit will only act as an inducement to invest where the purchase of marginally profitable assets is under consideration.

However, since so many investment tax credits were taken by firms, many people felt the program was a success, not realizing that it probably served as an inducement to make investments in only marginally profitable cases. Because of the theoretical advantage of not seriously distorting

¹Gay Halvorson, "Can Taxes Condition the Economy?" Executive Viewpoints, Research Report No. 6, Bureau of Business Research, Graduate School of Business, Indiana University, 1969.

²James Wyatt Edwards, The Effects of Federal Income Taxes on Capital Budgeting, Unpublished Ph.D dissertation, Department of Accounting and Financial Administration, Michigan State University, 1966, p. 77.

the economy and because of the number of investment tax credits taken by business firms, it was hoped that the creation of an employment tax credit would solve a large part of the chronic unemployment problem by providing jobs for AFDC recipients. The expectation was that such public policy objectives would best be met through the exercise of the decision processes in private firms, largely uncontaminated by governmental fiat, and that these processes and procedures would be sensitive to the appropriate financial incentives (e.g., a 20 percent tax credit), rather than the imposition of penalties and other costs. As was discussed in Chapter VI, such expectations may have been somewhat naive in that they failed to take into account the organizational impediments within business firms. More seriously, however, the expectation of comparable success for the employment tax credit rests on the assumption that capital and labor are perfect substitutes for one another. In fact, they are not. An important consideration in the productivity of capital investment is the rapid advances in technology during the past 30 years. For example, the first generation of computers was developed during World War II. The second generation became available in 1959 with the advent of the transistor. By 1964, a third generation had been developed, and within the last two years it has been debated whether the newest innovations in electronic circuitry constitute a fourth or just "third and a half" generation. More striking advances have taken place in the last ten years with respect to computer software. Mini-computers, photocopy machines, and quality control feedback systems are making substantial claims of increased productivity and subsequent profitability and are being aggressively marketed with award-winning advertising and articulate commission-basis salesmen. By contrast, the WIN program consists of many unskilled and semi-skilled workers with only entry level abilities, nor can these people be as effectively marketed as many capital resources.

The results obtained from this study indicate that an employment tax credit is a useful, cost-effective tool to help WIN offices place clients, and methods will be suggested below that can make it more effective; but it is not a cure-all for solving this nation's unemployment problems. Furthermore, it is unrealistic to expect employment tax credits to be utilized by private industry to the same extent as the investment tax credit.

Differences in the Use of the WIN and Welfare Tax Credits

WIN Tax Credit Certifications

The number of tax credit certifications has remained fairly stable at between 15 and 22 percent of the number of WIN participants who have obtained jobs during the past four years (Table 7.1). We also estimate that 20 percent of WIN registrants are employed by nonprofit companies (since they have no tax liability the availability of a tax credit is not relevant)¹.

Appendix C contains a breakdown of WIN tax credit certifications by area, region and state for FY 1973 through FY 1976. No significant difference in employment tax credit utilization was found among areas and regions.

TABLE 7.1

WIN JOB ENTRIES AND TAX CREDIT CERTIFICATIONS FY 1973 THROUGH FY 1976

Fiscal Year	Individual Job Entries	Tax Credit Certifications Per Year	Certifications as Percentage of Job Entries
1973	136,783	24,853	18.2%
1974	177,271	39,788	22.4%
1975	170,641	26,042	15.3%
1976	186,062	28,215	15.2%

SOURCES: WIN Reporting System, MA5-98 Reports 08 and 11, June 30 of each fiscal year for 1973, 1974, and 1975; ESARS, Table 30, June 30, 1976.

¹ Twenty percent of all WIN job entries examined during a one month period in the four demonstration cities (Minneapolis, Houston, Toledo, and Atlanta) were in nonprofit companies. This is just a crude estimate since these four metropolitan areas are not likely to be representative of the nation.

Welfare Tax Credit Certifications

During the first 15 months that the welfare tax credit program was in effect, about 1,200 tax credit certifications (less than 1 percent of total job entries) were obtained by employers. (See Appendix C for a breakdown of welfare tax credit certifications by state and region.)

The small number of certifications may be attributed, in part, to start-up problems and slow implementation at the state and local levels. Seven months after enactment of the legislation, only 33 states had implemented a welfare tax credit certification program.

Plausible causes for the lower use of the welfare tax credit are: 1) fewer employers are aware of it; 2) no single agency is concerned with promoting it (as WIN offices do for the WIN tax credit); 3) employers have difficulty in identifying eligible applicants because of the AFDC recipient's right to confidentiality.

A Comparison of Utilization of Employment Tax Credits with Investment Tax Credits

As was discussed in Chapter I, many of the employment tax credit bills were based on the concept and format of the investment tax credit passed by Congress in 1962. The investment tax credit was authorized to encourage capital expenditures by companies for expansion and modernization. In the first year of investment tax credit use, over 249,000 corporations claimed the tax credit (Table 7.2).

The percentage of corporations claiming the investment tax credit continued to rise during the first five years it was in effect. Use remained stable in 1966 to 1967, despite a five month tax credit suspension, then increased the following year. In contrast, certifications for the WIN tax credit increased from 1972 to 1974, but declined significantly in FY 1975 (Table 7.1).

TABLE 7.2
THE INVESTMENT TAX CREDIT
1962 - 1972

Year	Total Number Corporation Income Tax Returns	Total Number Returns With Investment Tax Credit	Proportion Of Total Returns to Tax Credits	Amount of Tax Credit (Thousands)	Average Amount Per Credit
1962	1,144,376	249,366	21.8%	\$ 833,687	\$3,343
1963	1,323,187	294,763	22.3	1,105,552	3,751
1964	1,373,517	328,877	23.9	1,318,502	4,009
1965	1,423,980	365,685	25.7	1,716,290	4,693
1966	1,468,725	381,086	25.9	2,006,385	5,265
1967	1,534,360	395,625	25.8	2,075,041	5,245
1968	1,541,760	405,719	26.3	2,384,099	5,876
1969	1,658,820	258,750	15.6	1,908,788	7,377
1970	1,665,477	50,979	3.1	865,954	16,986
1971	1,733,332	321,262	18.5	1,633,612	5,085
1972	1,824,494	475,000	26.0	3,024,608	6,368

SOURCES: 1962-71 publications, Department of the Treasury,
Internal Revenue Service, Statistics of Income: Corporation
Income Tax Returns.

NOTE: Credit was suspended between October 1966 and March 1967 and
again in 1969 and 1970.

Comparing the average number of claims for investment tax credits (for the years 1962-1968, 1972) with the average number of employment tax credit certifications, we see that the average number of employment tax credits is only about 8 percent of the number of investment tax credits. As was explained in the previous section, there are good theoretical grounds for expecting a lower utilization of the two employment tax credits, but as the following analysis will reveal, they have not yet been utilized to their full potential.

Incentive Value of Tax Credits

Knowledge of Employment Tax Credits

Before the incentive value of employment tax credits can be analyzed, we must take into account the necessity of businesses knowing:

- 1) the availability of the employment tax credits; and
- 2) the tax credit eligible status of the job applicants.

Obviously businesses will not hire WIN applicants on the basis of the tax credits available to them if they are unaware they exist. In our employer survey, 77 percent of the respondents who had received tax credit certifications indicated they had been aware of the WIN tax credit program at the time of hire. In contrast, only 51 percent of the employers who had not received tax credit certifications were familiar with the WIN tax credit program.

Fewer employers were aware of the welfare tax credit program. Only 14 percent of employers who had received WIN tax credit certifications were aware of the welfare tax credit program. Similarly, only 17 percent of the employers who had not received tax credit certifications were aware of the welfare tax credit program.

The sources consulted for information about the tax credit programs by employers in our sample help explain differences in awareness between the two tax credit programs. Most of the employers (89 percent) who received WIN tax credit certifications heard about them through the WIN program or the Employment Service. Thirty-one percent of the noncertified employers who were aware of the WIN tax credit gave WIN or ES as their source of information.

The importance of the WIN offices in promoting the use of the tax credit in their job development efforts can be seen when comparing the sources of information of employers who claim the credit with the sources of those who do not (Table 7.3).

TABLE 7.3
SOURCES OF INFORMATION ABOUT THE
WIN TAX CREDIT

Source of Information	Employers with Certifications (422)	Employers without Certifications (203)
State Employment Service	31.5%	33.0%
WIN	68.6	27.8
Internal Revenue Service	3.8	7.3
Job Applicant	9.7	7.7
NAB	3.0	9.7
Welfare Department	2.8	6.8
Tax Accountant	8.3	11.1
Public Media	6.0	24.2

NOTE: Percentages do not sum to 100 because employers were allowed to give more than one response.

Employers with certifications were twice as likely to have received WIN tax credit information from the WIN office as those employers without certification.

Another aspect of controlling for information before trying to review the incentive value of employment tax credits pertains to the knowledge regarding the WIN/AFDC status of the job applicant. When a job applicant is placed by, or requested of, the WIN office, the employer may be fairly certain of the applicant's tax credit eligibility status. As was mentioned in Chapter V, during an analysis of 50 SMSAs, utilization of the WIN tax credit was found to be significantly related to the percentage of job entrants who were placed by the WIN office (Pearson's $r = .59$, $p < .01$). This would also explain the positive correlation between the percentage of applicants placed by the WIN office and the percentage of certification/entrants. However, many employers do not know of the welfare status of a prospective employee before the hire, especially if the applicant was not referred by the WIN office. In those instances, the tax credit could not have been a factor in the

hiring decision. Unfortunately, employers who may be interested in employment tax credits are reluctant to ask the welfare status of job applicants because of potential discrimination lawsuits.

Given such circumstances, the promotional activities of the WIN offices and their efforts at facilitating the employment of WIN registrants for businesses was found to be a primary determinant of tax credit utilization.

Incentive Value of Tax Credits to Firms Which Are Aware of Their Availability

In view of these findings, only those employers who are aware of employment tax credits at the time of hire should be considered when analyzing the hiring incentive value of the tax credits. In the initial user survey, 35.5 percent of the employers who knew of the WIN employment tax credit said it was an important factor in their decision to hire (Table 7.4).

TABLE 7.4

RELATIONSHIP BETWEEN KNOWLEDGE OF WIN TAX CREDIT WITH ITS IMPORTANCE AS A HIRING INCENTIVE

Was the WIN Tax Credit An Important Factor For Hiring?	Knowledge of WIN Tax Credit	
	Yes	No
Yes	35.5%	0.0%
No	<u>64.5%</u>	<u>100.0%</u>
TOTAL	100.0% (400)	100.0% (115)

NOTE: Adjusted $\chi^2 = 56.37$; $df = 1$; $p < .01$.

In order to determine how much importance employers placed on the WIN tax credit in their hiring decisions, they were asked whether they considered it to be a requisite condition, a significant factor, a contributing element, a remote consideration or no consideration at all (Table 7.5). About 14 percent of the employers who obtained WIN tax credit certifications considered the credit a requisite condition or significant factor in their decision to hire. Approximately 38 percent responded that it had been a contributing element. These findings are consistent with the economic theory discussed above that tax credits will only be effective in calling resources into production "on the margin." Similarly, this finding is consistent with previous empirical investigation, e.g., the Illinois-Texas follow-up study in which 7 percent of the employers interviewed considered the tax credit to be significant in hiring decisions.¹

¹ Sheryl Grams and D.L. Thompson, Follow-up Study of Tax Credit Users in Illinois and Texas, Minneapolis: Midwest Research Institute, North Star Division, June 1975, Contract No. PL 42-27-73-07, p. 16.

TABLE 7.5
RELATIONSHIP BETWEEN KNOWLEDGE OF WIN TAX CREDIT
AND HIRING DECISIONS

Knowledge of WIN Tax Credit	Importance of WIN Tax Credit in Hiring Decisions					TOTAL
	Requisite Condition	Significant Factor	Contributing Element	Remote Consideration	Not Considered	
Yes	1.7%	12.4%	38.4%	13.0%	34.7%	77.6% (401)
No	0.0	0.0	8.6	2.6	87.9	22.4 (116)
						100.0% (517)

NOTE: Missing observations = 41. $\chi^2 = 103$; df = 4; $p < .01$.

The employer seminars revealed that the primary incentive to hire an applicant is that he or she be "qualified." An indirect verification of this assertion was found in the investigation of community variables in Chapter III. Areas with high layoff rates had fewer WIN placements and subsequently fewer tax credit certifications. In such areas, fewer jobs are available and more specifically qualified applicants are competing with WIN registrants for them.

Incentive Value of Tax Credits in View of Organizational Impediments

Thus far, the incentive value of the WIN/welfare tax credits has been discussed with the implicit assumption that firms are profit maximizers and if they do not automatically seek out and employ WIN/welfare recipients, the incentive must not be great enough to compensate them for employing less productive resources. As every student of economics knows, however, economies do not always operate exactly as their theoretical underpinnings would dictate. In all business firms there are built-in organizational impediments which sometimes militate against the attainment of the company's goals. The group seminars conducted by IMPACT revealed several organizational impediments to tax credit utilization. The interviews produced considerable evidence that the preponderant attitude toward people on welfare is that they are poorly motivated, unreliable, and unproductive. This attitude is the basis for the generally held opinion that hiring people on welfare is more risky than hiring the average applicant who is not on welfare. Ordinary business prudence operates on the side of minimizing risks to the extent that this is possible.

That there is a higher than usual risk would be unimportant if the use of the tax credit involved no changes in hiring practices and procedures. The fact is, however, that changes are required in virtually every phase of the hiring process, from the placement of the job order to the maintenance of records in order to prepare IRS Form 4874-FY and claim the tax credit. Where a change is necessary, a decision is necessary; and the greater the perceived risk in making the change, the more pronounced is the tendency to involve more people in the firm in the decision. When the job description of any functionary in the firm does not contain the authority to make a decision, the usual procedure is to pass the decision on up the line or to sit on it.

There is usually some question as to who else in the firm must be involved to make the program work the way it is expected to work. Personnel is usually involved, but personnel does not keep the tax data or file the tax returns. Accounting may be involved if payroll is a responsibility of accounting; but accounting does not know how to obtain WIN/welfare people, or how to identify them in the firm. The tax department is involved; but they do not keep payroll records in a form which permits extraction of the WIN/welfare people. Management is involved because they are often the ones who make the final hiring decision, and who must work with the new employees. Usually supervisory personnel are more concerned with getting the job done than with taking the tax

credit; but where they are concerned with taking the tax credit, they do not know what kind of documentation is required or who is to receive it if it is produced.

Thus, implementation of the employment tax credit program does require the efforts of more than one person in the firm, especially in larger firms. Even in smaller firms personnel will usually not act without clearance from the president. There are instances where one person will implement the program; but on the basis of the interview data, when this occurs very little hiring is done anyway. As a result of the tendency to minimize risks, the routine decision processes in the firm are more rigorously utilized, and it is rare when one person finally has the information, the authority, and the incentive to implement the program.

Those who designed the employment tax legislation recognized many of these difficulties, and so provided an incentive to management to make the efforts to overcome them. There is no clear consensus concerning the adequacy of the 20 percent tax credit; but there is some testimony to the effect that its impact is not felt at that place in the organization where the risks of implementation must be taken.

The net result is that hiring practices are rarely changed because this requires more work for little reward and perhaps great penalty. Hiring practices designed to obtain applicants best qualified for a given job will not be changed so that they would appear to be designed purposely to hire those less qualified. When a WIN or welfare applicant has been hired through normal routines, there is usually no qualm about filing for the tax credit. But when someone in the firm learns about the availability of the tax credit, he may or may not go back and scan the payroll records or ask employees whether or not they are on welfare. In many cases, then, the tax credit becomes an unearned addition to surplus for the corporation for doing something which is being done anyway. There have been some cases where someone in the firm learned about the tax credit and then hired WIN clients in order to gain the credit, but this occurs infrequently. There is, however, some evidence to indicate that more certifications on the average are obtained by firms that knowingly hire WIN clients than by firms that scan payrolls after the fact.

Specific recommendations for overcoming these impediments will be given at the conclusion of this analysis.

Informational Impact Found in a Demonstration Project

In order to determine the effects of an intensive information campaign on the utilization of the WIN/welfare tax credits, a demonstration project was undertaken by IMPACT in four selected cities: Minneapolis, Houston, Toledo and Atlanta. The description and evaluation of this demonstration project are contained in Appendixes D and F. Briefly, at the end of an eight month period about 31 percent of all employers in

the demonstration cities claimed to know about the WIN/welfare tax credit, compared with 15 percent of the employers nationally.

During this period the number of job entries for WIN/welfare registrants increased by 78 percent in the demonstration cities compared with a 46 percent increase for the nation. The number of WIN/welfare tax credit certifications increased 236 percent in the demonstration cities as compared with 49 percent nationally. The ratio of certifications to job entries increased from 14.9 percent to 28.1 percent, or 89 percent, while this ratio remained unchanged throughout the nation in general.

It appears that the information program is associated with an improved awareness of the welfare tax credit of 100 percent and of the WIN tax credit of 12 percent. Because there was little attempt to differentiate the two tax credits, it is difficult to relate the effects of the campaign to certifications for either of the tax credits, but certifications for both did increase, as did WIN job entries and the ratio of certifications to job entries.

It is noted in Chapter V that the efforts of the WIN office are major determinants of WIN tax credit usage. If this is true, the information campaign heightened the effectiveness of the WIN employees by providing them leads and inquiries. It is most probable that without the inquiry-generating feature of the information program, the effects would be negligible, at least in the short run. That is, information, by itself, is probably inadequate to increase utilization of the tax credits.

Cost/Benefit Analysis of the WIN Employment
Tax Credit Program

An important consideration in assessing the value of the WIN tax credit program as a job development tool is a comparison of the program costs (lost corporate tax revenues) with the savings generated (welfare grant reductions, increased social security and personal income tax collections). Data from our initial survey of employers with tax credit certifications, and the 12 month follow-up survey were utilized to estimate the costs and benefits of the WIN tax credit program.

Cost Estimates

Average annual wages paid to WIN employees during the 12 month period following their certification for a WIN tax credit were computed for WIN employees who worked 12 months or less (1,986) and for WIN employees who worked more than 12 months (7,872) (Table 7.6). The average cost of the WIN tax credit program for WIN employees is limited to the wages paid for a period of up to 12 months. From Table 7.6, a 12 month average wage of \$3,416 was computed based on length of employment not exceeding 12 months.¹

¹ Average wage = (\$361) (5.5) (0.621) + (\$480) (12) (0.379) = \$3,416
 Employees working Employees working more
 12 months or less than 12 months

TABLE 7.6

WAGES PAID AND LENGTH OF EMPLOYMENT FOR
TAX CREDIT CERTIFIED WIN EMPLOYEES

Length of Employment	Percentage of Total Employees	Average of Total Wages Paid	Average length of Employment in Months	Average Monthly Wage
Employed 12 Months or Less	62.1%	\$1,986	5.5	\$361
Employed More Than 12 Months	37.9 (164)	\$7,872	16.4	\$480

NOTES: The average wage was estimated based on initial starting wages and any increases that were applied during the period of employment. Not all respondents, however, could recall whether a raise had been given. In these cases the average increase for the remaining employees was completed and applied to those individuals for whom the employer could not recall whether a raise had been given. Twelve employers were unsure of wage history.

The average tax credit claim for a WIN employer in our sample, therefore, would be approximately \$683 ($0.2 \times \$3,416$).

The special tax time survey that was conducted did not find that all employers with WIN tax credit certifications were motivated to hire the WIN employee because of the availability of a tax credit. In fact, only 7.3 percent of the employers in our tax time survey responded that their WIN employees would not have been hired if the WIN tax credit had not been available. Similarly, not all the employers in our sample claimed a tax credit (approximately 50 percent claimed a credit).

The basic cost of the WIN tax credit program is the total revenues lost in issuing a credit for employees who were hired by employers influenced by the availability of the WIN tax credit. In our sample of employers, 11.1 percent responded that the WIN tax credit had been a requisite condition or a significant factor in the decision to hire.

Using this percentage of WIN tax credit motivated hires the cost formula becomes:

$$(1) \quad \text{Cost} = \frac{\text{TCC}}{\text{TCH}} \times (0.2 \text{ Wages}) = \frac{49.6}{11.1} \times (0.2 \text{ Wages}) = 0.89 (\text{Wages})$$

Where TCC = percentage of certifications for which a tax credit was claimed

TCH = percentage of WIN certified employees hired because of tax credits

0.2 Wages = the amount of credit claimed; 20 percent of total wages paid.

The above estimates reflect the responses of all employers whether or not they were aware of the tax credit program at the time they hired a WIN participant. Also, the responses of employers who did not know the welfare status of a prospective WIN employee were included. However, as was discussed in Chapter VI, the WIN tax credit program cannot be an effective incentive to hire a WIN participant unless the employer knows at the time of hire that a tax credit will be available if the WIN participant is hired. That is, he would need to know about the tax credit program and the welfare status of the prospective employee at the time of hire to be assured that a tax credit will be available to him.

In our 12 month follow-up survey, 84 of the 186 employers questioned responded that they were aware of the WIN tax credit program and knew the welfare status of the prospective employee at the time of hire (Table 7.7).

TABLE 7.7

INCENTIVE VALUE OF WIN TAX CREDIT PROGRAM

Tax Credit was:	Employers who knew about tax credit program and welfare status of employee	All employers in initial survey
A condition of hire	6.0%	1.5%
A significant factor in hiring decision	16.7%	9.5
A contributing element	39.3	31.5
A remote consideration	15.4	10.5
Not considered	22.6	46.9
	100.0	99.9
	(84)	(524)

NOTE: There are 33 missing observations in the initial survey.

The response of the 84 employers who were aware of the applicant's eligibility for an employment tax credit were much more positive than all other employers in our sample. The wide difference in the incentive value assigned to the tax credit program by the above two groups of employers has important implications for the tax credit program. Efforts that merely inform employers about the availability of the tax credit after a hire has been made only drive up program costs. In particular, there is some question on the efficacy of automatically mailing WIN tax credit certifications to employers of WIN participants.

A final cost estimate, therefore, was computed based on the incentive value assigned to the tax credit program by employers who were aware of the program and who knew the welfare status of a prospective employee. Nearly 23 percent of the employers in the 12 month follow-up who knew about the tax credit program and the welfare status of the applicant had indicated in our initial survey that the availability of a tax credit was either a condition of the hire or a significant factor in the hiring decision (Table 7.7).

Using this figure, the cost formula for tax credit motivated WIN hires becomes:

$$(2) \quad \text{Cost} = \frac{\text{TCC}}{\text{TCH}} \times (0.2 \text{ Wages}) = \frac{49.6}{22.7} \times (0.2 \text{ Wages}) = 0.44 \text{ (Wages)}$$

Savings

The savings generated by the WIN tax credit program for a WIN hire is the total welfare grant reduction for that individual plus any additional taxes paid because of the employment. Although a WIN participant could potentially pay federal and state income taxes and social security taxes, only the 11.7 percent social security tax (5.85 percent of wages paid by both the employer and the employee) is considered.¹

Welfare grant reductions are estimated to be the amount of wages earned minus an earnings disregard of \$30 a month plus one-third of additional earnings. Therefore, total potential welfare grant reductions for one month are:

$$(3) \quad \text{Welfare Grant Reductions} = \text{Wages} - \$30 - .33 (\text{Wages} - \$30)$$

¹It is unlikely that a WIN employee would pay any state or federal income taxes. In fact, a low income negative income tax is available to all families with a dependent child earning less than \$8,000/year (the maximum of \$400 is paid to those earning less than \$4,000 per year). The average wage of WIN employees in our sample was \$2.65 per hour (\$5,512 per year). Most would qualify for a tax rebate even if they earned enough to leave welfare.

Total savings include the 11.7 percent Social Security Tax paid on earnings or:

$$\begin{aligned}
 (4) \quad \text{Benefit} &= \text{Total savings} = \text{Wages} - \$30 - .33 (\text{Wages} - \$30) \\
 &\quad + 0.12 (\text{Wages}) \\
 &= \text{Wages} (1 + 0.12 - .33) - \$20 \\
 &= 0.79 (\text{Wages}) - \$20/\text{month}
 \end{aligned}$$

The method of estimating a cost/benefit ratio considers only those employers in our sample who both knew about the availability of the WIN tax credit program and about the welfare status of the job applicant.

Nearly 23 percent of the employers who knew both about the tax credit and the employees' welfare status at the time of hire indicated that the tax credit had been a requisite condition or a significant factor in the hiring decision. Thus, using equation 2 for program costs and equation 4 for program benefits, the cost/benefit ratio becomes:

$$(5) \quad \text{Cost/Benefit} = \frac{\text{Cost Equation}}{\text{Benefit Equation}} = \frac{0.44 (\text{Wages})}{0.79 (\text{Wages}) - \$20}$$

Dividing the computation between those WIN employees that worked twelve or less months, and those who worked more than twelve months the equations are:

$$\begin{aligned}
 (6) \quad \text{Cost/Benefit} &= \frac{0.44 (\text{Wages}) (\text{Months of employment up to 12})}{0.79 (\text{Wages}) - \$20 (\text{Months of employment})} \\
 &= \frac{0.44 (\$361) (5.5)}{0.79 (\$361 - \$20) (5.5)} = \frac{874}{1459} = 0.60
 \end{aligned}$$

and for those in the sample that worked more than twelve months:

$$\begin{aligned}
 (7) \quad \text{Cost/Benefit} &= \frac{0.44 (\text{Wages}) (\text{Months of employment up to 12})}{0.79 (\text{Wages}) - \$20 (\text{Months of employment})} \\
 &= \frac{0.44 (\$480) (12)}{0.79 (\$480 - \$20) (16.4)} = \frac{2534}{5960} = 0.43
 \end{aligned}$$

Combining these two ratios, the average cost/benefit ratio becomes:

$$\begin{aligned}
 (8) \quad \text{Cost/Benefit} &= \text{proportion working less than 12 months (0.64)} \\
 &\quad + \text{proportion working more than 12 months (0.46)} \\
 &= 0.612 (0.60) + .379 (0.43) \\
 &= 0.37 + 0.16 = 0.53
 \end{aligned}$$

The above cost/benefit ratio indicates it cost about \$0.53 in lost tax revenue to influence an employer in our sample (who knew both about the availability of a WIN tax credit and the WIN employee's welfare status) to hire a WIN participant resulting in \$1.00 of welfare savings.

It is important to remember that although the tax credit is limited to twelve months of wages, total savings are based on the total length of hire. Here, as will be illustrated in the succeeding paragraphs, the longer a WIN employee remains employed the more cost effective the WIN tax credit program is.

Of course, because of confidentiality requirements and other impediments discussed earlier, not all employers can be expected to have full knowledge about the WIN tax credit program and potential eligibility. However, the above computations indicated that the WIN tax credit is a cost-effective approach for stimulating WIN hires among employers who are aware of their eligibility for a tax credit. The programmatic implications, therefore, are to expand efforts to increase employer awareness of the WIN tax credit program (such as the demonstration projects discussed in Chapter VI) and for WIN and ES job developers to more effectively inform employers of the prospective employees' AFDC status, making the employer eligible for such a tax credit.

Implications of Estimate

The above estimate of the cost/benefit ratio is based on estimated wages paid to WIN participants working for employers interviewed in our 12 month follow-up survey. The average amount of a tax credit claimed and the average welfare grant reduction is computed using these wage estimates. The estimate does reflect long term benefits to some extent; but not completely, since 37.9 percent of the WIN tax credit certified employees were still working, and the longer these employees work the better the ratio of costs to benefits becomes. This ratio improves because, although the tax credit is limited to 12 months, welfare grant reductions continue for the length of employment. Finally, the social benefits that accrue for each WIN hire are not reflected in the computations. The computations suggest that efforts to improve the program must be directed at increasing its incentive value and not merely increasing the number of tax credit certifications. As was illustrated in the cost/benefit estimate, the program is clearly cost effective. If employer awareness and understanding of the program increases and employers know the welfare status of a prospective employee at the time of hire, the benefits of the tax credit program clearly outweigh the costs.

Recommendations

The following recommendations are tentative. There is no consideration of the costs involved, and a great deal of work remains to be done to design the best procedures for implementation, should this be desirable. The sole concern at this point is to increase the utilization of tax credit certifications. There may be some flurry of increased use of certifications when employers first become aware of the availability of the tax credit because they scan their payrolls for qualified employees. In these cases the tax credit may come as an unearned bonus or "windfall" to some employers, although it should not come as an unexpected cost to the program. In the long run, however, there will be a greater congruence between certifications and hires. Therefore, it may be assumed that increased use of certifications would be a result of increased numbers of hires.

There is some evidence that the designers of the WIN tax credit thought that it would be a self-selling concept and that many employers would utilize it because of its obvious advantages. Perhaps experience with the investment tax credit provided some foundation for this expectation, especially since over 400,000 corporations were taking advantage of it. Had the WIN tax credit been as extensively utilized, there would be little need to carefully design the procedures for selling the tax credit through the WIN offices or through any other agency.

In fact, however, the WIN tax credit must be sold aggressively, just like any other product or service being sold in a competitive market. Furthermore, the evidence from the employer seminars suggests that there is a long gestation period from the time someone in the firm learns of the tax credit to the time someone is hired as a result of it. Therefore, the following recommendations are based on the assumptions that the tax credit is worth selling (since its cost effectiveness has been demonstrated), and that the selling efforts will be sustained over a period long enough to test its appeal.

Four changes in the legislation are recommended:

1. Eliminate the retention provision of the WIN tax credit.

This would reduce some of the complexities and some of the risks. Questions of seniority would be minimized in cases of termination, and there would be no undue burden on the employer to forecast needs for entry level employees. The 1976 legislative revisions reduced the length of the required retention time, but it did not eliminate it entirely.

2. Eliminate the recapture provision of the WIN tax credit.

It was indicated in the group seminars that although the portion of the WIN tax credits claimed which are recaptured is negligible, the recapture clause is still perceived as an obstacle by employers. In many cases they do not attempt to locate employees who would qualify them for the tax credit because they feel that the turnover in the jobs for which they are hiring is too rapid to make a tax credit realistic. In other cases, they may hire the employee but not take the tax credit because they do not want to be burdened with keeping the records, or the employee has come and gone before the tax filing date. It seems safe to conclude that the recapture clause does discourage use of the tax credit and keeps it from acting as an incentive. If employers do not gain any incentive from their initial attempts to hire WIN clients, it is unlikely that they will make further attempts to use it more frequently. In other words, there is no chance for learning to take place.

The very term "recapture" is misleading. It implies that the IRS will make a careful effort to recover claims which turn out to be unsupportable in the light of subsequent events. In fact, the IRS rarely audits for this tax credit. The recapture is really a recalculation. The term appears to have been taken from the context of the investment tax credit. In the investment tax credit legislation, it makes some sense to have a recapture clause because firms often replace equipment sooner than they had anticipated. When this is done, there is a tax credit on the new equipment and a termination of the credit on the old equipment. The recapture is in fact a recalculation of the new claim based on adjustments for prior claims. When a recalculation like this is made, the amounts claimed in the past are not canceled out entirely, but merely reduced based on what turned out to be the actual life of the equipment.

With the WIN tax credit, at termination the old employee may not be replaced by another employee who qualifies for the tax credit, and, further, the prior claims are not adjusted in the light of subsequent events but instead are completely canceled out. In other words, if the employee is not retained for a full 24 months, none of the tax credit on his wages may be claimed. It is an all or nothing proposition. The only time there may be a credit equal to or less than 12 months of wages paid is if the employee is terminated for cause. In this case, the credit may be taken for the length of time the employee was retained, up to 12 months of credit. Recapture of the WIN tax credit is thus more damaging than recapture of the investment tax credit.

Finally, there is very little positive incentive in the recapture provision. Ostensibly designed to encourage employers to hire on a permanent basis, it places provisions where none are necessary. Employers are interested in hiring permanent full-time, temporary full-time, permanent part-time and temporary part-time. Because the WIN tax credit applies only for substantially full-time work, the part-time work is precluded. People on welfare do not like to take temporary full-time work because their welfare benefits are interrupted. This leaves employers using WIN only for permanent full-time employment. When an employer is hiring in this category, he has all the incentive he needs to reduce turnover. Paperwork, unemployment compensation, training costs, etc. place a premium on keeping people as long as possible. On the other hand, the nature of some jobs is such that regardless of what the employer may prefer, the turnover is unusually high. This is true for entry level jobs to a greater extent than it is for higher level jobs. When the experienced turnover rate is higher than the tax credit retention period, the tax credit cannot be an incentive to hire WIN clients. Where the turnover rate is adequate, employers often feel that a person on welfare will not stay in a job long enough to qualify for the tax credit. In either case, learning cannot take place. The employee cannot learn to stay on a job if he is not given one in the first place, and an employer cannot learn that a person on welfare will stay on a job when he does not hire that person to begin with.

Reducing the retention period in order to allow more employers to take the tax credit, and eliminating the recapture provision altogether will not change the nature of the job, the biases of the employer, or the work habits of the employee in and of itself. Making these changes may, however, permit the tax credit to function more adequately as an incentive for employers to at least try to work with welfare recipients. In any case, there is no productive purpose served by these provisions and they should be eliminated. No evidence has emerged to indicate that employers are retaining employees any longer than they would otherwise because of the tax credit.

3. Eliminate the requirement that the welfare tax credit employees be receiving welfare assistance at least 90 days prior to hire. This would simplify the identification procedures.
4. Change the flat 20 percent tax credit to a stepped-up rate depending upon the total amount of WIN wages paid for the period. The rate might be graduated beginning with 20 percent for the first step to 50 percent at the top step, with graduations in between.

If there is a stepped-up rate of tax credit, it should motivate personnel to attempt to attain the next tax bracket. There would probably be little need to gain the concurrence of others in the organization until the time comes to actually file for the tax credit. By that time, the necessary documentation would be available, and an internal decision can easily be made on the basis of historical data. In addition, the memo to the president for his information would provide him with the opportunity to get involved if he so desires.

If WIN clients appear with certifications in hand, there will be no need to change hiring procedures at the point of interview and the incentive value of the tax credit could operate immediately.

This change would have the following results:

It would remove objections that the amount of tax credit is too low.

It would place a premium on retention.

It would provide an incentive to the employer to hire more WIN clients in order to get to the next higher step in the scale, and remove some of the burden from the WIN offices. Perhaps most important, it would sometimes provide a reason for the employer to act now, before his tax period ends.

If these changes were to be made, the procedures for claiming the tax credit would be simplified, and there would be fewer opportunities for biases to act as deterrents at decision points.

Five administrative changes are recommended:

1. Mount a continuing information campaign so that interruptions in the program because of personnel changes in the employer organizations are minimized, and so that more employers will be aware of the availability of the tax credit.
2. Place WIN job developers on performance quotas for tax credit placements. Where there is no control on performance, it is difficult to maintain sustained improvements in performance.
3. Coordinate existing training programs so that applicants will be as qualified as possible.
4. Require that WIN clients carry certification forms to the job interview, and provide them with an incentive to produce them for the employer. This will eliminate a large part of the identification problem, and will make it unnecessary for the employer to make a special request for certification from WIN offices.

The existing Eligibility Declaration should have the information on the employee and on the WIN office already filled in. It should be in duplicate so that the employer can send one copy to the WIN office and retain one copy for his files and it should bear a legend indicating that the tax credit is available should the applicant be employed. It should also provide a place for the employer to request an instruction kit if he does not already have one.

5. There should be an instruction kit available, to be sent to employers upon request. This kit would eliminate many questions regarding authority in the firm, and would expedite the use of the tax credit program. Such a kit would also reduce the number of personal calls required of the WIN job developer.

The instruction kit might contain the following items:

- Cover letter citing purposes of the tax credit and use of the kit;
- A summary of the legislative requirements;
- A copy of the Eligibility Declaration;
- A copy of IRS form 4874;
- A memo to be forwarded to the president of the firm with a brief explanation of the program;
- A memo to the accounting or tax department which is to accompany a copy of the data needed to file for the tax credit and a copy of the form 4874;
- A sample worksheet to be used by personnel to accumulate the necessary data on a manual basis. This form would have space for:
 - 1) Name of employee
 - 2) Social security number
 - 3) Position
 - 4) Date of hire
 - 5) Starting wage
 - 6) Salary change
 - 7) Date of salary change
 - 8) Date of termination
 - 9) Cause of termination
 - 10) Total wages paid for the period

The kit should be attractively well-designed and have the effect of inspiring personnel to maintain the record on a continuing basis.

There is one other problem area which should be addressed, but no suitable recommendation is at hand to resolve it. The person in the firm who must do the work, or who must take the risk of hiring AFDC recipients, usually receives none of the incentive for doing so. On the other hand, the incentive value of the tax credit is usually diffused or directed to some top-level executive who may have little to do with the actual hiring procedures. The tax credit programs would result in many more hires if the tax credit incentive could be translated into some monetary or material reward to those persons in the organization who bear the risks. In cases where this has been accomplished in a firm, higher than average numbers on welfare recipients are being hired. The matter of translating this incentive to that point in the organization where the risks are taken is extraordinarily complicated and difficult to implement.)

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APPENDIX A

A SUMMARY OF PROPOSED EMPLOYMENT TAX INCENTIVES

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A SUMMARY OF PROPOSED EMPLOYMENT TAX INCENTIVES¹

(1) H.R.5043 Introduced by Cong. McClory on 3-21-63:

- a. Subsidized the overall cost of hiring additional employees.
- b. Gave credit against income tax equal to amount by which such tax would be reduced if taxable rate were reduced by one percentage point for each additional employee over preceding three-year average.

(2) Report for Task Force on Subsidies in Apprenticeship (Federal Commission on Apprenticeship) Dated 6-3-64:

- a. Subsidized those cost items contributing to quality in training, namely the salaries of training directors, full-time instructors, and clerical personnel, a certain percentage of the foremen's salaries, cost training aids, salaries of on-the-job instructors, and wages of trainees while in class.
- b. Gave credit against tax liability (7 percent).
- c. Included only those people in apprenticeships, those pre-apprenticeships closely linked to employment, and journeyman trade extensions.

(3) S.1130, Introduced by Sen. Prouty on 2-17-65:

- a. Subsidized the cost of books, testing and training materials, leased equipment, instructors' salaries, and a reasonable portion of training overhead.
- b. Offered 7 percent credit against tax liability.
- c. Stated that employer had to employ trainee at least one year after training to qualify.

(4) S.2343, Introduced by Sen. Javits on 7-29-65:

- a. Subsidized the costs of training and retraining.
- b. Expanded the 1962 Investment Tax Credit to include training costs (the 7 percent credit rate and the credit limit remain the same as before).
- c. Stated the following criteria for approval of each case by the Secretary of Labor: The program must provide skills for national defense, replace skills made obsolete by economic change or automation, or retrain those dislocated by defense shutdowns.
- d. Stipulated some retention.

¹ Revised and enlarged from Daniel M. Holland, "An Evaluation of Tax Incentives for On-the-Job Training of the Disadvantaged," The Bell Journal of Economics and Management Sciences, Vol. 2, No. 1 (Spring 1971), pp.304-305.

(5) S.2509, Introduced by Sen. Prouty on 9-9-65:

- a. Subsidized tuition and course expenses paid to colleges or business, trade and correspondence schools; also cost of organized group instruction.
- b. Allowed a credit of 7 percent against tax liability.
- c. Made eligible only those people in apprenticeship training, OJT under the Manpower Development and Training Act, and cooperative work study programs.
- d. Stipulated that trainee must be on payroll three months after training for employer to qualify.

(6) H.R.15791, Introduced by Cong. Michel on 6-20-66:

- a. Allowed credit to offset cost of training expenses, computed as follows: 40 percent of first \$25,000, 20 percent of amounts between \$25,000 and \$100,000, and 7 percent for amounts over \$100,000.

(7) S.812, Introduced by Sen. Prouty on 2-2-67:

- a. Subsidized training costs, including those for apprenticeship training.
- b. Gave credit against tax (10 percent).

(8) S.2088, Introduced by Sen. Kennedy on 7-12-67:

- a. Subsidized wages paid to unemployed people in poverty area by companies in that area.
- b. Allowed credit equaling 25 percent of said wages.

(9) S.3755, Introduced by Sen. Percy on 7-10-68:

- a. Subsidized wages paid to undertrained employees.
- b. Computed the tax credit as follows: 75 percent of wages during first four months of employment, 50 percent of wages during the second four months, and 25 percent of wages during the remainder of the first year.
- c. Provided that the Secretary of Labor issue certificates to individuals whose skill, training, etc. are below that required to guarantee employment at or above the minimum wage, or to those who have sought and not found employment for five or more weeks.
- d. Certified employers.

(10) Report of Advisory Panel on Private Enterprise to National Advisory Commission on Civil Disorders, dated 1-29-68:

- a. Subsidized wages paid to hard core unemployed (HCU).
- b. Gave credit against tax equaling: 75 percent of wages paid HCU in first six months, and 50 percent of wages paid in second six months, and 25 percent of wages paid in second year.
- c. Provided that HCU be identified by federal state employment service or a community action agency.
- d. Limited credit to a certain percentage of firm's employees.

(11) Report of Task Force on Occupational Training in Industry, dated August, 1968 (Minority Proposal):

- a. Subsidized wages for various target groups.
- b. Allowed incentive wage credits as business expense against gross income according to following schedule: wage credit as a percent of total wages paid trainee equals 120 percent for employment under three months, 130 percent for employment between three and six months, 150 percent for between six and nine months, 175 percent for between nine and twelve months, and 200 percent for twelve months.
- c. Stipulated that certification of employees be handled by public employment service.

(12) H.R.112, Introduced by Cong. Bennet, ET AL, on 1-3-69:

- a. Subsidized employment expenses associated with hard core unemployment.
- b. Allowed credit equal to total employment expense up to \$25,000, then to 50 percent of amount which exceeds \$25,000.
- c. Specified that the employee must be retained at least six months and receive the higher of minimum or prevailing wage.
- d. Stipulated that the Department of Labor would identify the HCU with blue cards.

(13) Human Investment Act, Introduced by Sen. Prouty on 8-15-69:

- a. Helped cover the expense for counseling, educating, and training those who have been certified.
- b. Allowed credit against tax equal to 10 percent of training expenses for regular employees, and to 20 percent of training expenses of hard core unemployed.
- c. Specified certification to be handled by the various state employment agencies under standards set by the Department of Labor.

(14) S.1019, Introduced by Sen. Talmadge on 3-1-71:

- a. Subsidized wages for certified employees; employees certified by Secretary of Labor as having been placed in employment under a Work Incentive Program.
- b. Allowed credit against tax equaling 20 percent of wages and salaries paid to certified employees for first twelve months of work.
- c. Limited tax credit to \$25,000 plus 50 percent of so much of the liability for tax for the taxable year as exceeds \$25,000.
- d. Carryback (three taxable years) and carryover (seven taxable years) provisions if amount of credit exceeds the limitation for the taxable year.
- f. Provided recapture of tax credit if employee was not retained for at least twenty-four months.

(15) S.2632, Introduced by Sen. Javits on 10-1-71:

- a. Subsidized additional man-days at \$4 per additional man-day.
- b. Stipulated that all employers who paid minimum wages would be eligible with no restrictions on the amount of credit.
- c. Limited to two-year period.

APPENDIX B

SURVEY QUESTIONNAIRES

CONTENTS

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(State)

EMPLOYMENT TAX CREDIT STUDY

(Tax Person)

WIN TAX USER INTERVIEW

(Address)

(Telephone)

NAME OF FIRM _____

ACTIVITY _____

ADDRESS _____

TELEPHONE # _____

CONTACT PERSON _____

Hello, I'm _____ from IMPACT, Inc., in
_____. You'll recall a letter we
sent you last week describing a study we're conducting. If you have a few
minutes, I'd like to ask you some questions.

In our letter, we mentioned a worker (some workers) you hired in
the last year. I'd like to talk about this person (each of these) first.

QUESTIONS ABOUT WIN PARTICIPANT

1. Was _____ hired in _____? 1) yes 2) no
(name) (month) (1-8)
(9)
2. What is his/her job? _____
(job) (10-11)
3. How much is he/she paid? _____
(wages) (12)
4. How many hours per week does he/she work? _____ (13)
5. How satisfied are you (were you) with his/her performance?
(14)
1) Very satisfied 2) Satisfied 3) Indifferent
4) Dissatisfied 5) Very dissatisfied
6. Is _____ still employed?
(name) (15)
1) Yes (Skip to Question 9)
2) No (Continue with Question 10)
7. When did his/her employment end? _____
(month/year) (16-17)
8. Why did his/her employment end? _____
(reason) (18)
9. Has he/she been promoted: 1 2 3 (19)
10. Was an employment tax credit an important reason for this person
being hired? _____ (20)
11. Did you know about the employment tax credit when you hired
this person? _____ (21)
1) yes 2) no

NOW, I'D LIKE TO ASK YOU SOME MORE GENERAL QUESTIONS ABOUT AFDC JOB APPLICANTS AND EMPLOYEES.

12. Please tell me how you heard about the WIN tax credit and the approximate month when you heard about it _____

	Yes	No	Not Aware of Tax Credit
State Employment Service	1	2	3 (22)
Internal Revenue Service	1	2	3 (23)
Employee or Applicant	1	2	3 (24)
Telephone call and mailing from NAB	1	2	3 (25)
WIN Program	1	2	3 (26)
Welfare Agency	1	2	3 (27)
Your tax advisor or accountant	1	2	3 (28)
Newspaper article	1	2	3 (29)
Radio public service announcement	1	2	3 (30)
Television public service announcement	1	2	3 (31)

13. Do you plan to claim the WIN tax credit for any of your employees? (32)

No (Skip to Question 15)

Don't know (Skip to Question 15)

Yes (Continue with question 14)

14. For about how many of your workers do you plan to claim the WIN tax credit? _____. (Skip to Question 16). (33)
(number)

15. Why don't you plan to claim the WIN tax credit for any of your employees? _____ (34)

16. Have you obtained a WIN tax credit for any employee?

(35)

No (Skip to Question 19)

Don't know (Skip to Question 19)

Yes (Continue with Question 17)

17. What was the approximate value of the tax credit obtained?

(36)

(dollar value)

18. For how many employees have you obtained a WIN tax credit?

(37)

(Skip to Question 20)

(number)

19. Why haven't you obtained a WIN tax credit for any employee?

(38)

20. Are there provisions in the WIN tax credit regulations that make it difficult for you to use?

(39)

No (Skip to Question 21)

Don't Know (Skip to Question 21)

Yes (Continue with Question 20)

Please tell me about those provisions that are difficult to use.

(40)

21. Have you ever heard about the employment tax credit available to employers who hire AFDC recipients? (1975 Law)

(41)

No (Skip to Question 28)

Yes (Continue with Question 22)

22. Please tell me how you heard about the AFDC tax credit and the approximate date when you heard about it _____

-4-

- | | <u>Yes</u> | <u>No</u> | <u>Not Aware</u> | |
|--|------------|-----------|------------------|------|
| State employment service | 1 | 2 | 3 | (42) |
| Internal Revenue service | 1 | 2 | 3 | (43) |
| Employee or Job Applicant | 1 | 2 | 3 | (44) |
| Telephone call and mailing
from NAB | 1 | 2 | 3 | (45) |
| WIN Program | 1 | 2 | 3 | (46) |
| Welfare Agency | 1 | 2 | 3 | (47) |
| Your tax advisor or accountant | 1 | 2 | 3 | (48) |
| Newspaper article | 1 | 2 | 3 | (49) |
| Radio public service announcement | 1 | 2 | 3 | (50) |
| TV public service announcement | 1 | 2 | 3 | (51) |
23. Do you plan to claim the AFDC tax credit for any of your employees? (52)
- No (Skip to Question 25)
- Don't know (Skip to Question 25)
- Yes (Continue with Question 24)
24. For about how many of your workers do you plan to claim this AFDC tax credit? _____ (Skip to question 26) (53)
- (number)
25. Why don't you plan to claim the AFDC tax credit for any of your employees? _____ (54)
- _____
26. Are there any provisions in the AFDC tax credit regulations that make it difficult for you to use it? (55)
- No (Skip to Question 28)
- Don't know (Skip to Question 28)
- Yes (Continue with Question 27)

27. Please tell me about them _____ (56)

28. Under the Employment Tax Credit provisions for each eligible person hired, employers are allowed to deduct from their federal tax payment an amount equal to a portion of the wages paid to those new employees. Would this tax credit be an incentive to you to fill a job vacancy with a person receiving welfare (AFDC)?

(57)

Yes: how would it be an incentive? _____

(58)

No: why wouldn't it be an incentive? _____

(59)

Don't Know _____

29. How many employees do you have? _____ (60)

30. About how many employees have been hired since January 1, 1975? _____ (61)

31. Is this firm a participant in a NAB Job Program? 1) Yes 2) No (62)

32. Does this firm have a government on-the-job training contract? (63)

No -(skip to Question 35)

Yes - If yes - with whom? _____

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33. Have you been able to write-off expenses for training facilities?

(64)

No

Yes (Continue with Question 34)

34. Have you used the write-off provisions of the WIN program?

(65)

Yes

No

35. Have you claimed the investment tax credit for purchase of new machines or equipment?

Yes - If yes: about how much credit have you claimed under these provisions in the past 5 years?

(66)

(dollar amount)

(67)

No - Why not?

(68)

Don't Know

36. Have you ever hired any workers through the State Employment Service?

(69)

No

Yes - If yes: are you satisfied with this arrangement for hiring?

(70)

If no: why haven't you used the State ES?

(71)

37. Which of the following do you use in hiring new workers?

	<u>Yes</u>	<u>No</u>	<u>N/A</u>	
Private Agencies	1	2	3	(72)
Newspaper Ads	1	2	3	(73)
Current Employees' recommendations	1	2	3	(74)
Other _____	1	2	3	(75)

38. How many WIN participants have you hired? _____ (76)

39. How satisfied have you been with the WIN participants you have hired?

Would you say you were: (77)

1. Very satisfied
2. Somewhat satisfied
3. Indifferent
4. Not satisfied
5. Very dissatisfied
6. Don't know
6. No answer

40. Regarding hiring of WIN participants, was the employment tax credit - (78)

1. a requisite condition
2. a significant factor
3. a contributing element but not a major consideration
4. a remote consideration
5. not considered at all

41. How many AFDC recipients have you hired? _____ (79)

42. If you need to hire new employees, will you consider persons who will enable you to qualify for an employment tax credit? (80)

1) Yes (Continue with Question 43)

2) No (Why?) _____
(Skip to Question 44)

-8-

(1-8)

43. Do you know how to obtain job applicants who will make you eligible for an employment tax credit?

(9)

1) Yes, please explain _____

2) No

(End interview for those who are asked question 43.)

44. Would you use the employment tax credit if the credit were a higher proportion of the employee's wages?

(10)

1) Yes (Continue with question 45)

2) No (Skip to question 46)

45. What proportion would be an incentive for this business or firm?

(11)

46. Are there other conditions under which you would hire WIN participants and AFDC recipients?

(12)

1) Yes, please specify _____

2) No

(End Interview)

47. Business ID No. _____ (13-15)
48. SIC Code _____ (16-17)
49. State in which firm is located _____ (18-19)
50. "Aid to Families With Dependent Children" regulations. 1) UF 2) NUF (20)
51. Number of employees certified _____ (21)
52. Interview month _____ (22-23)
53. Employment month _____ (24-25)
54. Certification month _____ (26-27)
55. Type of Certification 1) WIN 2) WIN-AFDC 3) Non WIN-AFDC (28)
56. Sex 1) Female 2) Male (29)

(State)

EMPLOYMENT TAX CREDIT STUDY

(Tax Person)

WELFARE TAX USER INTERVIEW

(Address)

(Telephone)

NAME OF FIRM _____

ACTIVITY _____

ADDRESS _____

TELEPHONE # _____

CONTACT PERSON _____

Hello, I'm _____ from IMPACT, Inc., in
_____. You'll recall a letter we
sent you last week describing a study we're conducting. If you have a few
minutes, I'd like to ask you some questions.

In our letter, we mentioned a worker (some workers) you hired in
the last year. I'd like to talk about this person (each of these) first.

If you are not the person who made the decision to hire, I would like
to talk to the person who did.

(Name)

(Position/Title)

(Telephone #)

(date completed)

-1-

QUESTIONS ABOUT WELFARE RECIPIENT

1. _____ (Name) _____ (Date Employment Began) (1-8)
(9)
2. What is his/her job? _____ (job) (10-11)
3. How much is he/she paid? _____ (wages) (12)
4. How many hours per week does he/she work? _____ (13)
5. How satisfied are you (were you) with his/her performance? (14)
1) Very satisfied 2) Satisfied 3) Indifferent
4) Dissatisfied 5) Very dissatisfied
6. Is he/she still employed? (15)
1) Yes (Skip to Question 9)
2) No (Continue with Question 7)
7. When did his/her employment end? _____ (month/year) (16-17)
8. Why did his/her employment end? _____ (reason) (18)
9. Has he/she been promoted: 1 2 3 (19)
10. Was an employment tax credit an important reason for this person being hired? _____ (20)
11. Did you know about the employment tax credit when you hired this person? (21)
1) yes 2) no

22. Please tell me how you heard about the AFDC tax credit and the approximate date when you heard about it. _____

	<u>Yes</u>	<u>No</u>	<u>Not Aware</u>	
State employment service	1	2	3	(42)
Internal Revenue service	1	2	3	(43)
Employee or Job Applicant	1	2	3	(44)
Telephone call and mailing from NAB	1	2	3	(45)
WIN Program	1	2	3	(46)
Welfare Agency	1	2	3	(47)
Your tax advisor or accountant	1	2	3	(48)
Newspaper article	1	2	3	(49)
Radio public service announcement	1	2	3	(50)
TV public service announcement	1	2	3	(51)

23. Do you plan to claim the AFDC tax credit for any of your employees? (52)

No (Skip to Question 25)

Don't know (Skip to Question 25)

Yes (Continue with Question 24)

24. For about how many of your workers do you plan to claim this AFDC tax credit? _____ (Skip to question 26) (53)
(number)

25. Why don't you plan to claim the AFDC tax credit for any of your employees? _____ (54)

26. Are there any provisions in the AFDC tax credit regulations that make it difficult for you to use it? (55)

No (Skip to Question 28)

Don't know (Skip to Question 28)

Yes (Continue with Question 27)

27. Please tell me about them _____ (56)

28. Under the Employment Tax Credit provisions for each eligible person hired, employers are allowed to deduct from their federal tax payment an amount equal to a portion of the wages paid to those new employees. Would this tax credit be an incentive to you to fill a job vacancy with a person receiving welfare (AFDC)?

(57)

Yes: how would it be an incentive? _____

(58)

No: why wouldn't it be an incentive? _____

(59)

Don't Know _____

29. How many employees do you have? _____ (60)

30. About how many employees have been hired since January 1, 1975? _____ (61)

31. Is this firm a participant in a NAB Job Program? 1) Yes 2) No (62)

32. Does this firm have a government on-the-job training contract? (63)

No -(skip to Question 35)

Yes - If yes - with whom? _____

-4-

33.

(64)

34.

(65)

35. Have you claimed the investment tax credit for purchase of new machines or equipment?

Yes - If yes: about how much credit have you claimed under these provisions in the past 5 years?

(66)

_____ (dollar amount)

(67)

No - Why not? _____

(68)

Don't Know

36. Have you ever hired any workers through the State Employment Service?

(69)

No

Yes - If yes: are you satisfied with this arrangement for hiring? _____

(70)

If no: why haven't you used the State ES? _____

(71)

37. Which of the following do you use in hiring new workers?

	<u>Yes</u>	<u>No</u>	<u>N/A</u>	
Private Agencies	1	2	3	(72)
Newspaper Ads	1	2	3	(73)
Current Employees' recommendations	1	2	3	(74)
Other _____	1	2	3	(75)

38. How many AFDC recipients have you hired? _____

(76)

39. How satisfied have you been with the AFDC recipients you have hired?

Would you say you were:

(77)

1. Very satisfied
2. Somewhat satisfied
3. Indifferent
4. Not satisfied
5. Very dissatisfied
6. Don't know
6. No answer

40. Regarding hiring of AFDC recipients, was the employment tax credit -

(78)

1. a requisite condition
2. a significant factor
3. a contributing element but not a major consideration.
4. a remote consideration
5. not considered at all

41. How many WIN participants have you hired? _____

(79)

42. If you need to hire new employees, will you consider persons who will enable you to qualify for an employment tax credit?

(80)

1) Yes (Continue with Question 43)

2) No (Why?) _____
(Skip to Question 44)

-6-

(1-8)

43. Do you know how to obtain job applicants who will make you eligible for an employment tax credit?

(9)

1) Yes, please explain _____
_____.

2) No

(End interview for those who are asked question 43.)

44. Would you use the employment tax credit if the credit were a higher proportion of the employee's wages?

(10)

1) Yes (Continue with question 45)

2) No (Skip to question 46)

45. What proportion would be an incentive for this business or firm?

(11)

46. Are there other conditions under which you would hire

AFDC recipients?

(12)

1) Yes, please specify _____

_____.

2) No

(End Interview)

47. Business ID No. _____ (13-15)
48. SIC Code _____ (16-17)
49. State in which firm is located _____ (18-19)
50. "Aid to Families With Dependent Children" regulations. 1) UF 2) NUF (20)
51. Number of employees certified _____ (21)
52. Interview month _____ (22-23)
53. Employment month _____ (24-25)
54. Certification month _____ (26-27)
55. Type of Certification 1) WIN 2) WIN-AFDC 3) Non WIN-AFDC (28)
56. Sex 1) Female 2) Male (29)

State _____

B.21

ID _____

Employment Tax Credit Study
Non-Certified WIN Employers

Name of Firm _____

Address _____

Phone _____ Contact Person _____

Hello, I'm _____ of IMPACT in Minneapolis, Minnesota. My firm is studying the Federal government's Work Incentive Program (WIN) and I would like to ask you some very brief questions about your awareness of the WIN Program. The responses we receive from employers are kept strictly confidential.

1. Are you aware of the WIN program? _____

- 1) Yes (Go to Question 2)
- 2) No (Continue with Question 1a)
- 3) Don't Know (Continue with Question 1a)
- 4) No Answer

If NO, Has your company ever placed a job order with the State
Employment Service within this year?

If NO also ask Question 3. If yes, continue from Question 2.

1a) Is there some one in the firm who is responsible for hiring and might
be familiar with this government manpower program? _____

- 1) Yes NAME _____
PHONE _____
- 2) No (Go to Question 5)
- 3) Don't Know (Go to Question 5)
- 4) No Answer

2. Has your firm ever hired a person who was with the WIN program? _____

- 1) Yes (Continue with Question 2a)
- 2) No (Go to Last Question 5)
- 3) Don't Know (Go to Question 5)
- 4) No Answer

2a) Have you hired many people from the WIN Program? _____

- 1) Yes 2) No 3) Don't Know 4) No Answer

About how many? _____

2b) For about how long has your firm been hiring people from the
WIN program? _____

3. Have you been aware that there is a federal income tax credit allowed to employers who hire people who are with the WIN program? _____

- 1) Yes (continue with Question 3a)
- 2) No (Go to last Question 5)
- 3) Don't Know
- 4) No Answer

3a) How did you become aware of the tax credit? _____

4. Has your company been interested in taking advantage of the WIN tax credit? _____

- 1) Yes (Go to Question 4b)
- 2) No (Go to Questions 4b and then 4c)
- 3) Don't Know (Continue with Question 4a)
- 4) No Answer

4a) Is there some one in the firm who knows about the company's eligibility for the tax credit? _____

- 1) Yes NAME _____
 PHONE _____
- 2) No (Go to Question 5)
- 3) No Answer

4b) Has your firm ever received (or requested) a form from the WIN office certifying your eligibility to claim for the tax credit? _____

- 1) Yes (Go to Question 4d)
- 2) No (Continue with Question 4c)
- 3) Don't Know (Continue with Question 4c)
- 4) No Answer

4c) The tax credit was intended to benefit employers who hired people from the WIN program. Would you please tell us some of the reasons why your firm was not, or not always interested in using the tax credit? _____

(continue with Question 4d)

4d) Has your company gotten this form for all of the people you've hired from WIN? _____

- 1) Yes 2) No 3) Don't Know 4) No Answer

- 4e) What are some things that could be or should not be part of a WIN tax credit in order for it to be attractive or useful to your company? _____
- _____
- _____

5. Has your company had a federal income tax liability (for any of the years in which your company has hired WIN people)? _____

- 1) Yes 3) Don't Know
2) No 4) No Answer

- 5a) Explain tax liability status (e.g. other tax write-offs, losing money, non-profit, etc.) _____
- _____

6. Business Activity _____

(City) _____
(ID Number)

EMPLOYMENT TAX CREDIT STUDY
TAX USER INTERVIEW
3 MONTH FOLLOW-UP

(Completion Date)

(Business Activity)

NAME OF FIRM _____

ADDRESS: _____

TELEPHONE #: _____

CONTACT PERSON: _____
(Name) (Position/Title)

PART A

Hello, I'm _____ from IMPACT, Inc., in
_____. I talked to you several weeks ago about
your experience with the WIN program and employment tax credits. If
you have a few minutes, I have a few more questions I'd like to
ask you.

1. Is _____ still employed?

- 1) Yes (Go to Question 2)
- 2) No (Continue with Question 1a)

1a) When did his/her employment end? _____
(Month/Year)

1b) Why did his/her employment end? _____
(Reason)

2. Did you hire him/her?

- 1) Yes (Go to Question 3)
- 2) No (Continue with Question 2a)

2a) Is the person who hired him/her still employed by this
company?

- 1) Yes (Continue with Question 2b)
- 2) No or don't know (Go to Question 7)

2b) Would you please tell me that person's name, position and
telephone number?

(Name) (Position/Title) (Telephone)

PERSON WHO HIRED WIN PARTICIPANTPART B

Hello, I'm _____ from IMPACT, Inc., in _____.
IMPACT is a private research contractor conducting a study about employer interest in and use of employment tax credits. Mr./Ms. _____ referred me to you because you hired a person who made your company eligible for an employment tax credit. I have a few questions I would like to ask you.

3. Did you know about the Work Incentive (WIN) Program when you hired _____?

- 1) Yes (Go to Question 3b).
- 2) No (Continue with Question 3a).

3a) Do you know about the WIN Program now?

- 1) Yes (Continue with Question 3b).
- 2) No (Go to Question 7).

3b) How did you find out about the WIN Program?

4. Did you know about the WIN employment tax credit when you hired him/her?

- 1) Yes (Go to Question 4b).
- 2) No (Continue with Question 4a).

4a) Do you know about the WIN tax credit now?

- 1) Yes (Continue with Question 4b)
- 2) No (Go to Question 5)

4b) How did you find out about the tax credit?

5. Why don't employers hire (or hire more) persons from the WIN program?

6. Are there any steps that the government could take to get employers to hire (or hire more) persons from the WIN program?

7. Do you make most of the decisions about company recruiting and hiring policies (at this location)?

- 1) Yes (Go to Question 8)
- 2) No (Continue with Question 7a)

7a) Would you please tell me the name, title and telephone number of the person who does?

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(Name) _____ (Position/Title) _____ (Telephone) _____

PART C**PERSON WHO MAKES MOST DECISIONS ABOUT COMPANY RECRUITING AND HIRING POLICIES**

Hello, I'm _____ from IMPACT, Inc., in _____.

IMPACT is a private research contractor conducting a study about employer interest in and use of employment tax credits. Mr./Ms. _____ referred me to you because you make most decisions about company recruiting and hiring policies. The information you give to me will remain confidential. All the information collected is aggregated with information from other companies. Over 500 companies in 24 states are participating in this study. I have a few questions I would like to ask you.

☐ 8. Are you familiar with the Work Incentive (WIN) Program operated by the State Employment Service for persons receiving Aid to Families with Dependent Children (AFDC)?

- 1) Yes
- 2) No

☐ 8a) Do you know that persons who participated in the WIN Program have worked for you?

- 1) Yes
- 2) No

☐ 9. Do you know that there is a WIN employment tax credit available to employers who hire persons participating in the WIN Program?

- 1) Yes
- 2) No

10. Do you know that there is a welfare employment tax credit available to employers who hire persons receiving Aid to Families with Dependent Children (AFDC)?

- 1) Yes
- 2) No

11. Under both employment tax credit provisions, for each eligible person hired, employers are allowed to deduct from their federal tax payment an amount equal to a portion of the wages paid to those new employees.

Would this tax credit be an incentive for your company to recruit an eligible person?

- 1) Yes: How would it be an incentive? _____
- 2) No: Why wouldn't it be an incentive? _____

11a) Would this tax credit be an incentive for your company to hire an eligible person -- all other things being equal?

1) Yes: How would it be an incentive? _____

2) No: Why wouldn't it be an incentive? _____

12. Would your company hire these persons if there were no tax credit?

1) Yes (Skip to Question 13)

2) No (Continue with Question 12a)

12a) Why wouldn't your company hire these persons without the tax credit?

13. Why don't employers hire (or hire more) of these persons?

14. Are there any steps that the government could take to get employers to hire (or hire more) of these persons?

15. About how many other persons in this company (at this location) hire employees? _____ (If "1" or more, continue with Question 15a).

15a) Would their hiring decisions be based on instructions they receive from you (for example, if you ask them to hire persons who will make the company eligible for tax credits, will they do it?).

1) Yes

2) No

Please tell me who I should talk to in order to find out if the company's 1975 tax statement will claim an employment tax credit.

(Tax Person)

(Address)

(Telephone)

IF THIS IS THE SAME PERSON YOU ARE TALKING TO, GO TO QUESTION 8 ON PAGE 4 OF THE SPECIAL TAX FOLLOW-UP.

(State) _____

(ID Number) _____

EMPLOYMENT TAX CREDIT STUDYTAX USER INTERVIEW

(Completion Date) _____

SPECIAL TAX FOLLOW-UP

(Business Activity) _____

NAME OF FIRM _____

ADDRESS _____

TELEPHONE NUMBER _____

CONTACT PERSON _____

(Name) _____

(Position/Title) _____

Please tell me who I should talk to in order to find out if the company's 1975 tax statement will claim an employment tax credit. I will not contact this person until the 1975 tax return is completed. Please tell me an appropriate date when I might telephone _____.

(Tax Person) _____

(Address) _____

(Telephone) _____

If this is the same person who answered part C of the 3-Month follow-up, go to Question 8 on page 4.

PERSON WHO MAKES DECISIONS ABOUT COMPANY TAX POLICY

Hello, I'm _____ from IMPACT, Inc., in _____
_____. IMPACT is a private research contractor conducting
a study about employer interest in and use of employment tax credits.
Mr./Ms. _____ referred me to you because you make most
decisions about company tax policies. The information you give me
will remain confidential. All the information collected is aggregated
with information from other companies. Over 500 companies in 24 states
are participating in this study. I have a few questions I would like
to ask you.

- ☐ 1. Are you familiar with the Work Incentive (WIN) Program operated
by the State Employment Service for persons receiving Aid to
Families with Dependent Children (AFDC)?
- 1) Yes
2) No
- ☐ 1a. Do you know that persons who participated in the WIN Program
have worked for you?
- 1) Yes
2) No
- ☐ 2. Do you know that there is a WIN employment tax credit avail-
able to employers who hire persons participating in the WIN
Program?
- 1) Yes
2) No
3. Do you know that there is a welfare employment tax credit
available to employers who hire persons receiving Aid to
Families with Dependent Children (AFDC)?
- 1) Yes
2) No
4. Under both employment tax credit provisions, for each eligible
person hired, employers are allowed to deduct from their federal
tax payment an amount equal to a portion of the wages paid to
those new employees.

Would this tax credit be an incentive for your company to
recruit an eligible person?

- 1) Yes: How would it be an incentive? _____

- 2) No: Why wouldn't it be an incentive? _____

4a. Would this tax credit be an incentive for your company to hire an eligible person -- all other things being equal?

1) Yes: How would it be an incentive? _____

2) No: Why wouldn't it be an incentive? _____

5. Would your company hire these persons if there were no tax credit?

1) Yes (Skip to Question 6)

2) No (Continue with Question 5a)

5a. Why wouldn't your company hire these persons without the tax credit?

6. Why don't employers hire (or hire more) of these persons?

7. Are there any steps that the government could take to get employers to hire (or hire more) of these persons?

8. Are you claiming an employment tax credit for any employees?

- 1) Yes (Continue with Question 8a.)
2) No (Go to Question 9)

8a. For about how many employees are you claiming an employment tax credit? _____

9. Have you claimed or do you plan to claim an employment tax credit for _____?

- 1) Yes (Go to Question 10)
2) No (Continue with Question 9a)

9a. Why aren't you claiming an employment tax credit for this employee?

10. Are there provisions in the WIN tax credit regulations that make it difficult for you to use?

- 1) Yes (Continue with Question 10a)
j 2) No (Skip to Question 11)

10a. Please tell me about those provisions that are difficult to use.

11. Have you ever claimed an employment tax credit and been denied by the IRS?

- 1) Yes (Continue with Question 11a)
2) No (Go to Question 12)

11a. What explanation was given for the denial?

12. Are you familiar with investment tax credits?

1) Yes (Continue with Question 12a)

2) No (End Interview)

12 a. Does your company use investment tax credits?

1) Yes (Continue with Question 12b)

2) No (End Interview)

12 b. Is your company claiming an investment tax credit this year?

1) Yes

2) No

12 c. Is the employment or investment tax credit more advantageous to your company?

1) Employment tax credit

2) Investment tax credit

12 d. Why is the employment/investment tax credit more advantageous?

(State)5

(ID Number)
(1) (2-8)_____
(Completion Date)EMPLOYMENT TAX CREDIT STUDY12 MONTH FOLLOW-UP

NAME OF FIRM: _____

ADDRESS: _____

TELEPHONE #: _____

CONTACT PERSON: _____
(Name) (Position/Title)Last interviewed for: 1) Initial survey only 2) 3 Month Follow-up
3) Tax Time Follow-up 4) 6 Month Follow-up

Hello, I'm _____ from IMPACT in Minneapolis.
Twelve months ago a representative of our staff talked to you about your
experience with (the WIN program and) employment tax credits. At this
time we are conducting a follow-up survey, and I'd like to ask you a few
more questions.

1. Is _____ still employed?

- 1) Yes (Go to Question 1c)
2) No (Continue with Question 1a)

PREVIOUS RESPONSE ON _____ SURVEY

1a) When did his/her employment end? _____
(Month/Year)1b) Why did his/her employment end? _____
(Reason)

1c) Was this person away from his/her job for any period of time?

- 1) Yes
2) No (Go to Question 1e)
3) Don't Know/No Answer (Go to Question 1e)

1d) How long was this person away from the job? _____

1e) COMPLETED BY INTERVIEWER

Length of time employed _____

2. Has/Did _____ receive(d) a wage increase since his/her
(Named Employee)
employment began?

- 1) Merit increase (Continue with Question 2a)
- 2) Policy increase (Continue with Question 2a)
- 3) Increase; No reason given (Continue with Question 2a)
- 4) New position (Continue with Question 2a)
- 5) Increase, two of the above
- 6) No (Go to Question 3)
- 7) Don't Know/No Answer (Go to Question 3)

2a) How much was this increase? _____

2b) When were these increases given? _____

2c) COMPLETED BY INTERVIEWER

Total amount of wages _____

3. Did you know this person was in WIN/on welfare when you hired him/her?

- 1) Yes
- 2) No
- 3) Don't Know/No Answer
- 4) Did not hire

3a) How was this person referred to you?

- 1) WIN
- 2) Welfare
- 3) ES
- 4) Newspaper ad
- 5) Employee recommendation
- 6) Personal recommendation
- 7) Walk-in
- 8) Other
- 9) Don't Know/No Answer

4. Did you know about the employment credit prior to hiring this person?

- 1) Yes
- 2) No
- 3) Don't Know/No Answer
- 4) Did not hire

☐ Answered YES to Questions 3 & 4

5. IF THE ANSWERS TO QUESTIONS 3 & 4 ARE YES
ASK THE FOLLOWING:

Did you ask the WIN/welfare office to issue you a tax credit certification for this person?

- 1) Yes
- 2) No
- 3) Answered 5a
- 4) Don't Know/No Answer

(GO TO QUESTION 6)

- 5a) IF THE ANSWER TO QUESTION 3 OR 4 IS NO
ASK THE FOLLOWING:

Did you receive a tax credit certification for this person before you knew you were eligible for the tax credit?

- 1) Yes
- 2) No
- 3) Answered 5
- 4) Don't Know/No Answer

6. Did you receive this certification:

- 1) In the mail
- 2) Personally from a WIN/welfare office representative
- 3) Both
- 4) Don't Know
- 5) No Answer

7. Have you ever called the WIN/welfare office for job applicants?

- 1) Yes (Continue with Question 7a)
- 2) No (Go to Question 7c)
- 3) Don't Know/No Answer (Go to Question 8)

- 7a) Did you call the WIN/welfare office for job referrals because you were interested in receiving an employment tax credit?

- 1) Yes (Go to Question 8)
- 2) No (Continue with Question 7b)
- 3) Don't Know/No Answer (Go to Question 8)

- 7b) What was your reason for calling the WIN/welfare office for a job applicant? _____
- _____
- _____

- 7c) What was your reason for not calling the WIN/welfare office for a job applicant? _____

8. Have you interviewed other applicants who you knew at the time were from WIN or on AFDC?
- 1) Yes
 - 2) No
 - 3) Don't Know/No Answer
9. Have you hired other WIN/welfare people after hiring _____?
(Named Employee)
- 1) Yes (Continue with Question 9a)
 - 2) No (Go to Question 9b)
 - 3) Don't Know/No Answer (Go to Question 11)
- 9a) What was your reason for hiring these/this other person(s)?

(Go to Question 10)
- 9b) Why have you not hired other people from WIN/on welfare? _____

(Go to Question 11)
10. Regarding these/this hire(s), was the tax credit:
- 1) A requisite condition
 - 2) A significant factor
 - 3) A contributing element, but not a major consideration
 - 4) A remote consideration
 - 5) Not considered at all
 - 6) No new hire
 - 7) Don't Know/No Answer
- 10a) Compared to last year, does your company now feel that the tax credit in regard to hiring decisions is:
- 1) A greater influencing factor (Continue with Question 10b)
 - 2) Given the same consideration as before (Go to Question 11)
 - 3) A less influencing factor (Continue with Question 10b)
 - 4) Don't Know/No Answer (Go to Question 11)
 - 5) No longer an influencing factor (Continue with Question 10b)
- 10b) Please explain this change in consideration of the tax credit in hiring decisions _____

11.

IF THE COMPANY WAS NOT INTERVIEWED IN A
PREVIOUS FOLLOW-UP, ASK THE FOLLOWING QUESTION:

COMPLETED BY INTERVIEWER

- 1) Follow-up respondent (Go to Question 13)
- 2) Initial respondent

Did your company claim the employment tax credit last year?

- 1) Yes (Continue with Question 11a)
- 2) No (Go to Question 11c)
- 3) Previously responded (Go to Question 12)
- 4) Don't Know/No Answer (Go to Question 12)

11a) For how many people did your company make this claim? _____

11b) Did you claim this tax credit for _____?
(Named Employee)

- 1) Yes (Go to Question 12)
- 2) No (Continue with Question 11c)
- 3) Don't Know/No Answer (Go to Question 12)

11c) Why didn't you claim the tax credit for this employee? _____

12. Will you try to claim the employment tax credit next year for any
employee (other than the named employee)?

- 1) Yes (Go to Question 13)
- 2) No (Continue with Question 12a)
- 3) Don't Know/No Answer (Go to Question 13)

12a) Why Not? _____

13. Compared to last year, are you more interested, less interested, or do
you feel the same about the following:

13a) Calling the WIN/welfare office for job applicants?

- 1) More
- 2) Less
- 3) Same
- 4) Don't Know/No Answer

13b) Interviewing a person from WIN/on welfare?

- 1) More
- 2) Less
- 3) Same
- 4) Don't Know/No Answer

13c) Hiring a WIN/welfare applicant?

- 1) More
- 2) Less
- 3) Same
- 4) Don't Know/No Answer

14. What was the reason for your change in interest?

14a) Toward calling _____

14b) Toward interviewing _____

14c) Toward hiring _____

15. Are you familiar with the On-The-Job Training offered by the WIN office?

- 1) Yes (Continue with Question 15a)
- 2) No (Go to Question 16)
- 3) Don't Know/No Answer (Go to Question 16)

15a) Have you signed, or do you plan to sign, an OJT contract with the WIN office?

- 1) Have signed
- 2) Plan to sign
- 3) No
- 4) Unaware of OJT
- 5) Don't Know/No Answer

16. Which acts as a greater incentive to you to hire people from WIN/on welfare:

- 1) The OJT contract
- 2) The employment tax credit
- 3) The effectiveness of the WIN representative in meeting your company's personnel needs
- 4) None of the above
- 5) Other _____
- 6) No interest in hiring from that office
- 7) Don't Know/No Answer

16a) Why? _____

17. Are you aware that there have been recent changes made in the tax credit legislation?

- 1) Yes
- 2) No
- 3) Don't Know/No Answer

ADDITION TO THE 12 MONTH FOLLOW-UP

INTERVIEWER'S COPY ONLY

Ask Question 17.

Read the following if response to Question 17 is NO or Don't Know.

There have been three major changes in the WIN tax credit.

WIN TAX CREDIT

1. You can claim the tax credit if you lay off a WIN employee because of declining business.
2. The period an employee must work for your firm has been reduced from 24 months to 180 days.
3. The maximum tax credit that can be claimed has been raised from \$25,000 and half of the excess to \$50,000 and half of the excess.

WELFARE
TAX CREDIT

There have been three major changes in the welfare tax credit.

1. It has been extended to January 1, 1980.
2. The period for which you can claim the credit is 12 months.
3. The maximum tax credit that can be claimed has been raised from \$25,000 and half of the excess to \$50,000 and half of the excess.

Ask:

- 17a) Which of the changes, if any, are attractive to your company?
- 17b) Why?
- 17c) Will your company reassess their interest in the tax credit in light of these changes?

NOTE CHANGES IN QUESTIONNAIRE FOR WELFARE TAX CREDIT RESPONDENTS

Omit Questions 15, 15a, 16, 16a.

Code these questions as Don't Know/No Answer.

ADDITIONS TO WELFARE TAX CREDIT QUESTIONNAIRES

After each of these questions, ask the following additional questions:

<u>Question</u>	<u>Response</u>	
3		How did you find out this person was on AFDC (welfare)?
5	2)No	If you did not ask for the tax credit certification, how did you receive it?
5a	1)Yes	If you did not ask for the tax credit certification, how did you receive it?
5a	2)No	Did you ask the welfare office to issue you this tax credit certification?

INTERVIEW WITH WIN PROJECT

Direct questions to the project director

1. What do you and your staff think about the tax credit?

1a) What is your state WIN office's attitude toward the tax credit?

2. How helpful is the tax credit to your project?

3. Does the tax credit help in your placement efforts?

3a) Who informs employers of the tax credit?

How many are on your staff in the various positions?

3b) How and when does your office introduce the tax credit to employers?

1. phone
2. personal visit
3. mailing
4. other

What method is commonly used?

3c) How useful is the tax credit as a lead in?

3d) How often are tax credits mentioned by WIN staff personnel in their efforts at job placement?

1. almost all the time
 2. most of the time
 3. about half of the time
 4. infrequently
 5. never
 6. depends on the individual WIN staff person
- If answered c, d, e, f: Why isn't it mentioned more often?

3e) How does your staff attempt to find job openings for WIN clients?

Sources:

Do WIN personnel make routine calls to employers to check on their personnel needs?

3f) Would encouraging WIN clients to tell employers about the tax credit be helpful in their own efforts to find a job?

4. Are employers interested in the tax credit?

What percentage of employers in your area know about it?

4a) Are employers more willing to hire WIN clients because of the tax credit? Why or why not?

4b) Under what circumstances is the tax credit a determining factor in the hire of a WIN client?

4c) Into what types of business are WIN clients mostly hired?
Consider: size, location ---

What difficulties in placing people exist in your area?

4d) What is the unemployment rate in your area?

What predominant types of industry are there in your area?

4e) Do you find employers have a greater interest in either the tax credit or the OJT? Is there any difference in the type of employers who are interested in one or the other?

When are eligibility declarations issued to employers who signed OJT contracts?

What other factors within the WIN program influence employers to hire people from WIN?

5. What are the procedures in notifying employers who have hired WIN clients that they are eligible for a tax credit?

- 5a) How does this procedure vary if the client found his own job? If the client was placed by the ES office?
- 5b) When relative to the date of hire, is this done?
- 5c) Is a signed release of information form from the client required before you notify the employer that he/she is eligible for the tax credit?
- 5d) What other requirements, if any, must be complied with before the eligibility declarations are issued?
- 5e) What are the advantages and the disadvantages of the procedure practiced in your office to notify employers of their eligibility for the tax credit?

6. What aspects of the tax credit provisions or of the procedures involved to claim the tax credit do employers not like?

6a) Do WIN staff personnel feel they ought to or can help employers with any of these problems?

6b) Why not?

7. Can you think of anything that would make employment tax credits more appealing to employers?

How can procedures be revised to increase the number of eligibility declarations issued?

(Questions on reporting procedures)

8. In our work on tax credits, we have found that there is the possibility that some eligibility declarations issued go unreported.

How do you think that this could occur?

9. How often would a situation occur where an eligibility declaration is issued after a Form MA5-97 has been previously completed for a client?

How is this handled in your office?

10. Could the reporting of an eligibility declaration be overlooked in such a situation?
11. Is your office required to send a third copy of eligibility declarations issued to a state reporting office?

11. Is your office required to send a third copy of eligibility declarations issued to a state reporting office?

APPENDIX C

TABULAR MATERIAL

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TABLE C-1. DISTRIBUTION BY STATE OF CERTIFICATIONS USED IN THE EMPLOYER SURVEY SAMPLES

State	Initial Survey				3-Month Survey				Tax Time Follow-up				12-Month Survey			
	WIN		Welfare		WIN		Welfare		WIN		Welfare		WIN		Welfare	
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Arizona	1	.2			1	.3			1	.3			0	0		
California	107	19.2			57	18.8			56	19.3			33	18.8		
Colorado	35	6.3			18	5.9			17	5.9			8	4.5		
Georgia	37	6.6	18	11.8	22	7.2	2	2.7	19	6.6	3	4.1	11	6.3	4	8.5
Illinois	76	13.6			43	14.1			43	14.8			23	13.1		
Kansas	12	2.2			6	2.0			6	2.1			4	2.3		
Kentucky	6	1.1			3	1.0			3	1.0			2	1.1		
Louisiana	13	2.3	1	.7	6	2.0	1	1.4	5	1.7	1	1.4	3	1.7	1	2.1
Maryland	10	1.8	10	6.6	6	2.0	2	2.7	6	2.1	2	2.7	3	1.7	3	6.4
Massachusetts	36	6.4	1	.7	20	6.6	1	1.4	19	6.6	1	1.4	13	7.4	1	2.1
Minnesota	21	3.8	35	23.0	10	3.3	23	31.1	10	3.4	22	29.7	8	4.5	11	23.4
Mississippi			9	5.9			1	1.4			1	1.4			2	4.3
Nebraska	11	2.0	9	5.9	6	2.0	8	10.8	6	2.1	7	9.5	3	1.7	3	6.4
New Jersey	14	2.5			8	2.6			8	2.8			6	3.4		
New Mexico			2	1.3			1	1.4			1	1.4			1	2.1
New York	43	7.7			22	7.2			20	6.9			13	7.4		
North Dakota	2	.4	1	.7	2	.7	1	1.4	2	.7	1	1.4	1	.6	1	2.1
Oklahoma			3	2.0			1	1.4			1	1.4			1	2.1
Oregon	24	4.3	14	9.2	12	3.9	11	14.9	12	4.1	13	17.6	7	4.0	4	8.5
Texas	46	8.2	38	25.0	28	9.2	17	23.0	24	8.3	16	21.6	16	9.1	10	21.3
Utah	17	3.0			10	3.3			9	3.1			5	2.8		
Vermont	3	.5	1	.7	2	.7	1	1.4	2	.7	1	1.4	2	1.1	1	2.1
Virginia	13	2.3	2	1.3	8	2.6	1	1.4	7	2.4	1	1.4	4	2.3	1	2.1
Washington	30	5.4	8	5.3	13	4.3	2	2.7	14	4.8	3	4.1	10	5.7	3	6.4
Wyoming	1	.2			1	.3			1	.3			1	.6		
Coding Error							1	1.4								
TOTAL	558	100.0	152	100.0	304	100.0	74	100.5	290	100.0	74	100.5	176	100.1	47	99.9

TABLE C-2. DISTRIBUTION BY STATE
OF EMPLOYERS IN THE NONUSER SURVEY

STATE	NUMBER	PERCENT
Arizona	2	.5
California	51	12.7
Colorado	21	5.2
Georgia	29	7.2
Illinois	64	15.9
Kansas	9	2.2
Kentucky	7	1.7
Louisiana	15	3.7
Maryland	5	1.2
Massachusetts	27	6.7
Minnesota	12	3.0
Nebraska	7	1.7
New Jersey	8	2.0
New York	25	6.2
North Dakota	1	.2
Oregon	15	3.7
Texas	52	12.9
Utah	9	2.2
Vermont	3	.7
Virginia	18	4.5
Washington	23	5.7
TOTAL	403	99.8

TABLE C-3

WIN JOB ENTRIES CERTIFIED FOR THE TAX CREDIT
BY STATE, FY 1973-1976

State	Proportion of Job Entrants Certified			
	FY 1973	FY 1974	FY 1975	FY 1976
REGION I				
Connecticut	22.3	27.6	22.7	22.8
Maine	40.9	32.5	27.7	29.1
Massachusetts	28.6	21.8	10.5	16.4
New Hampshire	2.4	18.8	13.3	0.0
Rhode Island	9.6	23.0	22.0	10.0
Vermont	11.9	7.7	6.1	3.8
REGION II				
New Jersey	17.3	13.3	7.9	8.5
New York	7.3	11.3	8.8	15.2
Puerto Rico	0.2	0.0	0.0	1.6
Virgin Islands	6.1	0.0	0.0	0.0
REGION III				
District of Columbia	2.6	0.7	2.0	0.6
Delaware	2.5	1.5	1.4	2.1
Maryland	15.2	5.7	4.4	6.7
Pennsylvania	15.0	16.8	11.1	10.6
Virginia	25.9	27.3	13.1	16.9
West Virginia	8.2	8.8	7.3	68.2
REGION IV				
Alabama	27.2	19.8	12.5	13.0
Florida	9.0	7.5	4.5	6.0
Georgia	33.1	32.4	15.6	21.9
Kentucky	5.8	7.7	1.9	12.0
Mississippi	31.8	22.3	8.7	12.0
North Carolina	27.2	35.6	20.4	23.3
South Carolina	13.0	11.9	7.3	13.9
Tennessee	35.4	18.5	19.9	18.6

TABLE C-3 Continued

State	Proportion of Job Entrants Certified			
	FY 1973	FY 1974	FY 1975	FY 1976
REGION V				
Illinois	10.5	21.4	14.7	19.2
Indiana	15.0	26.4	17.4	13.0
Michigan	21.3	27.4	7.5	16.3
Minnesota	8.3	18.7	8.5	6.9
Ohio	13.7	19.8	18.0	13.8
Wisconsin	21.4	22.9	15.5	15.9
REGION VI				
Arkansas	36.4	34.0	30.0	53.2
Louisiana	21.4	15.1	17.0	41.9
New Mexico	14.4	14.3	5.8	9.7
Oklahoma	10.4	9.7	7.1	11.2
Texas	34.1	25.2	25.0	30.3
REGION VII				
Iowa	36.6	25.9	13.6	16.9
Kansas	6.3	12.2	10.5	10.8
Missouri	2.5	9.6	6.9	13.2
Nebraska	7.4	23.9	23.7	33.0
REGION VIII				
Colorado	33.4	30.7	18.5	15.8
Montana	2.8	4.4	3.3	7.5
North Dakota	23.8	17.8	12.2	7.0
South Dakota	28.2	25.7	15.2	13.8
Utah	4.2	14.4	14.4	17.0
Wyoming	5.4	7.3	0.6	2.8
REGION IX				
Arizona	7.3	0.0	5.1	12.0
California	13.4	11.7	11.1	9.5
Hawaii	1.0	3.4	4.0	5.6
Nevada	3.5	2.9	0.0	1.3
Guam	0.0	0.0	0.0	0.0
REGION X				
Alaska	19.8	29.5	13.7	1.2
Idaho	35.6	20.8	7.5	11.2
Oregon	6.0	12.1	7.9	9.2
Washington	26.1	19.0	12.7	17.3

TABLE C-4

WELFARE TAX CREDIT CERTIFICATIONS, FY 1976

Region and State	Number of Certifications	Percent
REGION I		
Conneticut	8	
Maine.	5	
Massachusetts.	3	
Rhode Island	0	
Vermont.	1	
TOTAL.	17	1.8%
REGION II		
New Jersey	0	
New York	0	
TOTAL.	0	0.0
REGION III		
District of Columbia	68	
Delaware	12	
Maryland	24	
Pennsylvania	108	
Virginia	2	
West Virginia.	2	
TOTAL.	216	23.5
REGION IV		
Alabama.	14	
Florida.	0	
Georgia.	28	
Kentucky	0	
Mississippi.	181	
North Carolina	0	
South Carolina	5	
Tennessee.	0	
TOTAL.	228	24.8
REGION V		
Illinois	49	
Indiana.	13	
Michigan	49	
Minnesota.	53	
Ohio	0	
Wisconsin.	4	
TOTAL.	168	18.3

TABLE C-4 Continued

Region and State	Number of Certifications	Percent
REGION VI		
Arkansas	0	
Louisiana	4	
New Mexico	2	
Oklahoma	36	
Texas	90	
TOTAL	132	14.4%
REGION VII		
Iowa	0	
Kansas	0	
Missouri	44	
Nebraska	14	
TOTAL	58	6.3
REGION VIII		
Colorado	0	
Montana	0	
North Dakota	1	
South Dakota	13	
Utah	0	
Wyoming	0	
TOTAL	14	1.5
REGION IX		
Arizona	0	
California	54	
Hawaii	0	
Nevada	0	
TOTAL	54	5.9
REGION X		
Alaska	0	
Idaho	0	
Oregon	24	
Washington	8	
TOTAL	32	3.5
<u>TOTAL</u>	919	100.0%

APPENDIX D

DESCRIPTION OF DEMONSTRATION PROJECT

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BACKGROUND

In May of 1975, IMPACT was commissioned by the US Department of Labor to conduct a study to assess the effects of the WIN tax credit, and of the recently enacted (March 1975) welfare tax credit. During the design phase of this study, some concerns arose that the number of employers who might be aware of the existence of these tax credits might be inadequate for the purposes of the study. Accordingly, a Technical Assistance component was introduced into the study design.

The purpose of this component was to mount an information campaign in selected cities to apprise employers of the existence of these tax credits. Thus, conditions would be provided to study, among other things, the differences in employer utilization of the tax credits in different WIN project service areas, which might be traceable to differences in information saturation levels.

Three demonstration cities along with three matching cities were selected. The decision to use three cities was based on the judgement that, while one demonstration city and one matching city would be adequate, there are many factors that may be peculiar to one city that could reduce the value of the demonstration. Such factors are natural catastrophe, wildcat strikes, demonstrations or civil events, closing of major employment centers, and so forth. The selection of three cities spreads such risks and admits less contamination in the total demonstration program. Furthermore, a scientific sampling of labor markets is unnecessary. If an education campaign is a factor in increasing the use of the tax credits, it can be replicated, if not, it need not be. The crucial comparison is between the demonstration cities and the matching cities, not between specific variables and their assumed incidence in a target universe.

There are five major concerns associated with the selection of the cities:

1. Optimal use of available funds;
2. Labor market stability as indicated by trends in size of unemployment;
3. Availability of administrative machinery as indicated by program variables;
4. Geographical distribution;
5. Existence of acceptable matching cities.

To optimize the use of available funds, it is necessary to select cities which are neither extremely large nor extremely small. The larger cities tend to have a larger number of radio and TV stations as well as other media. This tends to segment audiences so that it becomes necessary to conduct a rather sophisticated media analysis to reach relevant target audiences. The result is that more money is spent for analysis, media contact and media follow-up than would be the case in smaller cities. It is also more expensive for telephone follow-up and production costs for brochures, letters, etc.

On the other hand, the smaller cities will yield a smaller ratio of conscious impressions by relevant audiences to total message time and space because of the relatively lower concentrations of potential employers.

Based on these conditions, cities in Standard Metropolitan Statistical Areas (SMSA) with between 500,000 to 2 million population are judged to be the most efficient size. There are 53 SMSA's of this size in the nation comprising 40 per cent of the civilian labor force. Thus, it is likely that the educational program utilized in the three demonstration cities may be readily replicated in these other cities of similar size and can reach a significant share of employers. The program may be replicated also in larger and smaller sized cities, but some modifications may be required.

It is also important to select cities which have relatively stable employment bases so that program efforts may be distinguished from those caused by a rapidly expanding or a rapidly declining labor force. Accordingly, data on unemployment for the years 1971 through 1974 are taken from the Statistical Abstract of the United States¹. On a national scale, the percent change in the total number not employed is as follows:

	<u>Number not Employed</u>	<u>Percent of Labor Force</u>	<u>Increase/Decrease</u>
1971	4,994,000	5.9	+ 1.0%
1972	4,840,000	5.6	- .3%
1973	4,304,000	4.9	- .7%
1974	4,301,000	4.8	- .1%

Therefore, those cities which show changes within the range of ± 1.5 percent are considered to have adequate stability. Of the cities in the acceptable size range, 26 cities meet the stability criterion.

¹US Department of Commerce, Bureau of the Census, 1975, The US Fact Book, The American Almanac, The Statistical Abstract of the US, p. 342.

In order to utilize the most effective administrative organization, it is important to select from the above listing those cities which have shown the best record in the use of tax incentives in the past. There are 16 that meet previously drawn criteria.

The next step is to select from this list those three cities which have acceptable geographical dispersion, but, more important, those which permit the most careful matching of control cities.

An acceptable group spread would be obtained by using three of the following 10 cities:

Greensboro, North Carolina	Memphis, Tennessee
Charlotte, North Carolina	Nashville, Tennessee
San Antonio, Texas	Milwaukee, Wisconsin
Houston, Texas	Minneapolis, Minnesota
Columbus, Ohio	Toledo, Ohio

Houston, Minneapolis, and Toledo were selected.

It was later proposed to add a fourth city as a demonstration site. For geographical dispersion, a city in the southeast would be preferred. Atlanta was selected, using the same criteria as were applied for the selection of the first three cities, except that there had been relatively little use of the WIN certifications in Atlanta. Therefore, this city may be regarded as a more difficult case. The respective matching cities selected were Dallas, Milwaukee, Cincinnati, and New Orleans.

OBJECTIVES OF THE INFORMATION CAMPAIGN

The objectives of the Information Campaign are:

1. To inform employers in selected cities of the existence of the WIN and welfare tax credits.
2. To describe to employers the conditions under which the tax credits are applicable.
3. To describe to employers procedures for obtaining the tax credit.
4. To generate an information campaign which may be replicated in other selected areas of the nation.
5. To achieve the above at minimal cost.

A target was established to get this information to 90 percent of the business employers in the demonstration cities, within the time available for the campaign.

GENERAL CAMPAIGN STRATEGIES

IMPACT, working with two professional information agencies, designed an information campaign, the features of which were discussed with those to be involved in expediting the campaign. The resulting campaign represents the consensus of representatives of the following agencies: the officers of the National Alliance of Businessmen (NAB) in the selected cities; representatives from the WIN, State Employment, and Welfare offices in these cities; and members of the broadcast media and the press. The procedures used to gain this consensus assured that everyone involved in the implementation of the campaign was fully acquainted with all of its elements. The campaign was to continue for a period of eight months beginning in September 1975 for Houston and Minneapolis, and for a period of four months in Toledo. The campaign period for Atlanta was February 1976 through May 1976.

THE CONTENT OF THE MESSAGE

Informing employers about the availability of the two tax credits, their differences, the conditions under which they may be used, and the procedures for obtaining the tax credit requires telling a long and complicated story. Therefore, it was decided that parts of the story would be transmitted by various communications devices. The mass media would simply tell of the tax credit and give employers a place to contact for further information. Direct mail, personal contacts and speeches would be used to provide greater detail and to answer questions. The general strategy was to provide enough impact during a public service announcement (PSA) on radio or television, which may last from 10 to 30 seconds, to get the listener or viewer to phone. This thinking focused on the savings on federal income taxes as the primary appeal.

This approach makes no distinction between the two types of tax credits, but given the few seconds available, a message which attempted to make this distinction would be unintelligible. The basic appeal is the same, and there are many employers who do not know of either tax credit, so this approach is most reasonable.

The new feature relating to domestic employment had to be relegated to written materials because it, too, would complicate the message on radio or television, and budget was not available to produce more than one television commercial. It was decided that a special campaign would be necessary to reach this segment of the market within the time available, and that budgets would not permit this.

THE TARGET AUDIENCES

While the major audience of each of the tax credits is the employer, there is such variation among employers that any information campaign takes on many of the characteristics of a general consumer campaign. This is especially true in view of the fact that the welfare tax credit extends to employment for domestic work. Employers in the nation vary greatly in size and type of organization, with the result that the employment function varies greatly in sophistication and locus within the organization. It was decided, therefore, that messages in the mass media should be addressed to "Employers", and that more specific messages would be aimed at more specific audiences using more carefully directed media. Direct mail, for example, would be aimed perhaps at Personnel Managers.

It should be noted here, that while the AFDC recipient was not ostensibly a target audience, there was some hope that some of those who were exposed to the message might inform their present employers of the tax credit, or might inform their potential employers.

SELECTED MEDIA

The diversity of potential users of the employment tax credits and the complexity of the message dictated that all major media be used. In view of budget constraints, the mass media could be used only if PSA's could be utilized. While the use of PSA's requires no cost for time, there are several disadvantages to their use. One is that the advertiser has no control over the timing of the spot or the number of times it will be shown. Another is that the public service directors require some contact in order to maintain their interests in running the spot, so this constitutes a cost. Finally, record keeping by the radio and television station personnel varies a great deal in terms of the care given to the broadcast log, so that accuracy is difficult to assess. As a result, data on the number of times the spot was run are based heavily on estimates by station personnel.

In any case, mass media were judged to be important to the success of the campaign because they could reach a large audience and generate phone inquiries, but the secondary effects are 1) to reinforce messages for other media, and 2) to stimulate word-of-mouth.

Newspapers usually provide greater depth of information than is possible with television spots, but unfortunately, newspapers have no requirement to run public service announcements. Then too, the relatively short life of a newspaper advertisement would place a premium on repetition. It was decided that budgets would not permit a newspaper advertising component to the campaign, but that every attempt would be made to provide the

newspapers with newsworthy copy so that some space might be obtained. Again, there are disadvantages to this because editors will usually rewrite a great deal of the copy, and the timing and placement of the articles are strictly at the option of the editors. Newspapers do get a large audience, and there are many small ones which reach special segments of the market, so they were included in the plan.

National magazines reach large audiences and can usually tell a more detailed story than radio or television spots, but they are relatively expensive to use. The use of magazines was not planned, but during the course of the campaign an opportunity developed to obtain a free page in a media package which included Time, Newsweek, US News and World Report, and Sports Illustrated in the metropolitan markets selected for the campaign. There was a list of other public service organizations waiting for free space, and success depended on one's place in line, and was only possible if the media failed to sell the space by a given deadline. By the end of the campaign, free space had been obtained only in the Minneapolis market. Because of the late commitment made in Atlanta, it was decided that the space be purchased for that city.

Direct mail was included in the plan because of its flexibility, and personal speeches were included for high impact on audiences involved in the decision-making process regarding the use of the tax credits.

DESIGN FOR FEEDBACK

The complexity of the message to be delivered required that members of the target audiences have a number to call to obtain further information. It was decided to use the NAB offices for this purpose. Accordingly, special phones were set up, and a person in each of the NAB offices was specifically trained to handle the phone inquiries. A mailing brochure was provided, along with a cover letter, so that those phoning might be provided with further information. The phone correspondent in the NAB office kept a log of inquiries which was sent to the IMPACT offices weekly. During downtime, the phone correspondent would initiate calls to employers listed in various directories. Instructions to the correspondents and a sample form for the log are shown as Exhibit E.

SUMMARY OF THE CAMPAIGN PACKAGE

The campaign ran for a period of eight months, from September of 1975 through April of 1976. Because of local situations, the time was extended a couple of months, so that the entire program was not completed until the end of June. Although the campaign package was approximately the same for each of the metropolitan areas selected, it was designed to be flexible enough to accommodate local adaptations so that various parts of the program were given different emphasis in each of the four cities. Copies of the information provided for each media follow.

CAMPAIGN PACKAGE

EXHIBIT

- A. General Information Brochure
- B. Letter to Employers to Accompany Brochure
- C. Business Reply Card to Accompany Letter
- D. Letter to NAB Account Executives to Announce Tax Credit Training Meeting
- E. Instructions to NAB Tax Credit Information Specialists for Initiating Telephone Calls to Employers
- F. 30-Second PSA for Television Exposure
- G. Reporting Form for Stations to Report Number of Times PSA was Aired
- H. 15-Second PSA for Radio Exposure
- I. 30-Second PSA for Radio Exposure
- J. One-Minut. PSA for Radio Exposure
- K. News Release
- L. Sample Letter to Newspapers for Feature Coverage of Employment Tax Credits
- M. Letter to Civic and Professional Groups
- N. Business Reply Card to Accompany Letter to Group Program Chairmen
- O. Summary of Tax Credit Legislation to Accompany Letter to Groups, for Use in Their Publications
- P. News Release for Speaking Engagements
- Q. Script for Two-Minute Public Service Announcement Speech
- R. Script for 15-Minute Speech

**HOW TO SAVE
ON YOUR
INCOME TAX**



It's all part of a federal program to encourage the employment of AFDC recipients. Here are some questions and answers about the program. For more information contact your local office of the National Alliance of Businessmen.

Q. HOW CAN I PAY LESS TAXES BY HIRING SOMEONE ON AFDC?

A. A new law—the Tax Reduction Act of 1975—permits employers to claim a special employment tax credit on their federal income taxes for hiring anyone who has been receiving Aid to Families With Dependent Children.

Q. HOW MUCH TAX CREDIT CAN I GET?

A. The credit amounts to 20% of the wages paid eligible employees during the first 12 months of work. When you file your tax return you may claim credit for the time they have worked even if they have not completed the full 12 months. So for a worker at \$5,000, the credit is \$1,000. In a corporate setting a \$1,000 tax credit represents nearly \$2,000 of income taxed at the 48% corporate rate. If you hire 25 workers at \$5,000, your credit amounts to \$25,000. The ceiling on this credit is limited only by the amount of your tax liability. You can take \$25,000 per year without limitation, plus one half of your additional tax liability. If your company has a \$500,000 tax liability, your ceiling would be \$25,000 plus one-half of \$475,000, or \$262,500. Should you be unable to use your full credit in one year the law has carryover and carryback provisions similar to the investment tax.

Q. HASN'T THIS BENEFIT BEEN AVAILABLE FOR SOME TIME?

A. Yes. Under the Revenue Act of 1971 employers could get a tax credit, but only for workers registered with the Work Incentive (WIN) Program. Not all AFDC recipients are registered with WIN. So the new law expands the number of other workers available.

Q. WHAT SORT OF JOBS CAN I HIRE AFDC RECIPIENTS FOR?

A. Virtually any sort of employment including, for the first time, domestic work in a private home; also temporary or seasonal employment.

Q. WHAT STANDARDS DO THE JOBS HAVE TO MEET?

A. Standards for AFDC tax credit jobs are designed to insure 1) that the jobs for AFDC recipients pay decent wages and offer the same protections and opportunities as other workers; and 2) that no one loses their job because a person on AFDC goes to work. For those reasons, to qualify for the tax credit the jobs you offer

AFDC workers must 1) be a new position or vacancy, not a job for which a laid off worker is waiting recall, or as a result of having a strike or lock-out, or reducing the wages, the hours, or the benefits for other employees; 2) meet all provisions of applicable minimum wage, health, safety, child labor, work hour, workers compensation, and EEOC laws; 3) offer the same wages and benefits as similar jobs in your firm. In addition, your firm does not qualify under the law if you've moved within the past two years leaving unemployed workers behind—though you are entitled to have denial for this provision reviewed.

Q. ARE THERE ANY AFDC RECIPIENTS LOOKING FOR JOBS?

A. Yes, and many of them have good skills and good work habits. Experience has shown that AFDC recipients perform as well and are as well motivated as others in similar jobs. In addition, many AFDC recipients have already received WIN-sponsored occupational training, and are job ready.

Q. ARE THERE ANY OTHER BENEFITS AVAILABLE?

A. If you hire any new workers through the WIN program and they need training for the work, WIN can reimburse you for training costs and any loss of productivity while employees are learning their jobs. The compensation for training costs is in addition to the tax credit available on wages.

Q. TRAINING EMPLOYEES WILL REQUIRE SOME ADDITIONAL FACILITIES. CAN I BE COMPENSATED FOR THOSE?

A. The Revenue Act of 1971 allows employers to write off costs at a faster than normal rate when building, buying, rebuilding, or rehabilitating facilities for on-the-job training. A similar tax break exists if you establish a day care center. Under the Revenue Act you may amortize building costs for training or day care facilities over 5 years compared to the normal 40 years. Equipment costs may also be written off over 5 years, rather than the usual 10 years.

Q. SOUNDS GREAT, HOW CAN I BEGIN?

A. If you're interested in a worker, for whom you can collect additional training compensation and tax benefits, or persons for seasonal or domestic work, contact your local NAB office.

NATIONAL ALLIANCE OF BUSINESSMEN

Houston	(713) 623-0080
Minneapolis	(612) 333-0376
Toledo	(419) 476-4666
Atlanta	(404) 526-6347



National Alliance of Businessmen

METROPOLITAN ATLANTA.....NORTH GEORGIA

The Gas Light Tower
Suite 1214
235 Peachtree Street, N. E.
Atlanta, Georgia 30303
Telephone: (404) 526-8347

ALVIN M. FERST, JR.
Metro Chairman

LEO BENATAR
Metro Vice Chairman

ANNA GRACE GREEN
Metro Director

FORREST R. DEAKINS
HOWARD W. SANDERS
Managers, Resources Development

DOUGLAS N. LUCAS
Manager, Jobs for Veterans

BENNIE G. McMORRIS, JR.
Youth Director

HENRY L. REID
Executive Coordinator

January 28, 1976

Dear Employer:

A recent major change in manpower legislation can save you money. The Tax Reduction Act of 1975 allows an employer a tax credit of 20% of the wages paid any employee who is on Aid to Families with Dependent Children (AFDC). Before March 29, 1975, the employer could not claim the tax credit until after the employee had been with him for 12 months. The tax credit is now allowable after only 30 days employment.

The National Alliance of Businessmen is cooperating with the U. S. Department of Labor to call this important legislation to the attention of Atlanta businessmen. And we enclose a brochure which briefly answers some of the more often asked questions.

If you have further questions or if you would like to explore the possibility of claiming this tax credit, you may return the enclosed business reply card and we will get back to you by phone immediately. Or you may phone us at the above number.

Thanks very much for your attention.

Anna Grace Green

(Miss) Anna Grace Green
Metro Director

AGG/lk
enclosures

(NAB Return Address and Postal
Permit Number on Reverse)

Company Name

Phone No.

Company Address

Zip Code

_____ We would like more information on hiring AFIC recipients
and receiving the new 30-day recovery 20% Tax Credit.

_____ We are not interested in the Tax Credit Program, but
would like more information on becoming a NAB member.

_____ We are aware of the new 30-day recovery plan, but thanks
for contacting us.

Comments: _____

Date

Signature

Title

(NAB Letterhead)

Dear NAB Account Executive:

As you may know, tax credits are available to employers who hire persons receiving Aid to Families with Dependent Children (AFDC). The legislation is designed to provide an incentive to employers to help get people off welfare and into jobs.

In line with the general objectives of NAB to help find work for disadvantaged persons, we are including this program in our job development efforts.

A meeting is scheduled for _____ o'clock on _____ at _____ for the purpose of providing you with information on how employers may take advantage of the employment tax credit. I shall be in contact with you during the next few days to confirm your attendance at this important meeting.

Sincerely,

NAB Metro Director

INSTRUCTIONS FOR INITIATING PHONE CALLS TO BUSINESS NOT CURRENTLY MEMBER
OF NAB:

1. Obtain a listing of such businesses from the Chamber of Commerce, the State Directory of Manufacturers, the Yellow Pages, or other suitable index. Begin with those businesses which are located in Houston. Suburban businesses may be contacted later.
2. Establish contact with the chief personnel officer, or the person responsible for hiring. Determine the name and title.
3. If that person is not available, ask when he is expected to be in the office, and establish a time that you will call again. Leave your name and number in case the person elects to call you back. If you are asked the purpose of the call, say, "To tell him about the new tax credit legislation." If you are asked for further detail, say, "We are preparing some literature on that, but I would like to contact _____ to learn the kinds of questions he may have."
4. When you make contact, use the following statements as a guide. You need not repeat this verbatim if you find words more natural to you, but it is important to cover the main points.

Hello. I am calling from the NAB office here in Houston. You may have read in the newspaper that we are contacting employers in Houston for two reasons.

One is to tell them about the Tax Reduction Act of 1975. This act makes it possible for you to obtain a reduction in your taxes if you hire a person (or persons) who are on AFDC. We will have detailed information on this ready to send out next week. May we send it to your attention? (Write name & mailing address on a list.)

The other reason we are calling is, if you are thinking of hiring in the near future, you might give some consideration to this new program. In any case, I'll get this information out to you next week, and at least you'll know if you can use it or not.

Thanks very much for your time. If you have any questions after you have received the materials, please get back to me.

5. Maintain a log of calls which have the following headings:

Time of Day	Company	Phone	Name of Contact	Title	Check if Call Back
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UNITED STATES DEPARTMENT OF LABOR

30-Second TV Commercial for Welfare Employment Benefits

VIDEOAUDIO

- | | |
|--|---|
| 1. Doors being slammed in the face of woman looking for job. | According to myth, people receiving help from public welfare are lazy and shiftless, growing fat at the public trough. |
| 2. Same woman at home with two children. | Actually, being on welfare is no picnic. |
| 3. Same woman looking at want ads and making phone calls. | And most recipients try hard to find work. That's why the Tax Reduction Act of 1975 was passed. |
| 4. Same woman being interviewed for job. | Under this law, employers hiring welfare recipients receive tax credits amounting to 20% of the wages paid. That's a reduction in the taxes owed -- not just a deduction. |
| 5. Same woman at secretarial work. | You can save taxes. |
| 6. Same woman back home holding paycheck and hugging children. | And give welfare recipients a chance to work. |
| 7. National Alliance of Businessmen logo and local phone number. | So call the National Alliance of Businessmen at _____ and get more information now. |

GIVE-A-BREAK, GET-A-BREAK PUBLIC SERVICE ANNOUNCEMENTS

Station: _____

City: _____

Number of times spot was aired: _____

Month: _____

Fifteen-Second Public Service Announcement for Radio

Background: Teletypewriter

Newsline, Washington: Congress has passed a law giving employers a tax credit for hiring AFDC recipients. The program, Give-a-Break, Get-a-Break, is viewed by many on Capitol Hill as a way to get workers off the welfare rolls and on the payroll. Give-a-Break, Get-a-Break allows employers a 20 percent tax credit on wages paid employees formerly on AFDC. Employers can get information on the Give-a-Break, Get-a-Break program from the National Alliance of Businessmen in Atlanta at 404/526-6347.

Thirty-Second Public Service Announcement for Radio

Background: None

Employers. The next 30 seconds could save your company thousands of dollars on its federal income tax. The new Give-a-Break, Get-a-Break program gives employers a tax reduction. It amounts to 20 percent of the wages paid AFDC recipients hired by the company. That's a reduction of tax owed, not just a deduction. There are hundreds of vocationally-able, motivated persons who want to work. Give them a break and get a break under the tax reduction laws. To start, contact the National Alliance of Businessmen at 404/526-6347.

One-Minute Public Service Announcement for Radio

Background: Cocktail Lounge Sounds

"Hey, John. How's business?"

"Great. I just hired three new workers."

"How are they working out?"

"At first I wasn't sure. They had been on AFDC. But you know, they're really hard workers."

"Get'em off the welfare rolls and on the payrolls, huh?"

"Right, but that's not all. I get a tax credit on 20 percent of their wages. It's part of the Give-a-Break, Get-a-Break program. It's easy. No red tape. And besides the tax credit, I can get an allowance for on-the-job training."

"Sounds like a good deal. You know, John, I could use some good workers, but what's the catch?"

"You know, I thought that way too at first, but the Give-a-Break, Get-a-Break program doesn't have one. Fill out one form and at the end of the year, take the credit."

"Improves the ol' profit picture, huh?"

"You betcha."

"How can I get into this Give-a-Break, Get-a-Break?"

"Just contact the Atlanta National Alliance of Businessmen at 404/526-6347."

NEWS RELEASE

FOR IMMEDIATE RELEASE

For further information contact:
Anna Grace Green, 404/526-6347

ATLANTA SELECTED AS TEST CENTER FOR NEW TAX REDUCTION ACT

Atlanta, Minneapolis, Toledo and Houston have been designated test cities for a pilot project called "Give-a-Break, Get-a-Break", to determine whether an intensive communications program will increase employer utilization of the tax credits available for hiring individuals receiving Aid to Families with Dependent Children.

The test is being sponsored by the Department of Labor and is, according to government sources, an unusual attempt by the Federal Government to stimulate interest in utilizing a particular piece of legislation through media. In the four target cities, the test is being coordinated by the local National Alliance of Businessmen office.

Under the revamped Tax Reduction Act of 1975, employers can claim a tax credit on virtually any type of employment, including domestic work in private homes and temporary or seasonal jobs. All that is required under the new law is that the employee has been receiving AFDC for more than 90 days and will work for at least one month. The tax credit amounts to 20% of the cash wages paid eligible employees during their first 12 months. Tax credits are reductions of taxes owed, not deductions made before computing taxes. There is a tax credit ceiling of \$25,000, for a single taxable year, plus one-half the excess tax liability over \$25,000. However, the laws have carry over and carry back provisions so there is very little likelihood that credits earned cannot be claimed.

(more)

According to Anna Grace Green, Metro Director of the National Alliance of Businessmen, these tax benefits have been around to a lesser degree for some time. "Under the Revenue Act of 1971, employers could get a tax credit for hiring workers registered with the Work Incentive (WIN) Program," said Ms. Green.

To qualify for either of the tax credit plans, employers must provide a job resulting from a vacancy or new position. The job must meet all provisions of applicable minimum wage, health, safety, child labor, work hour, EEOC and workers compensation laws. And the AFDC recipient must receive the same wages and benefits as everyone else in similar positions. "This is to insure equal rights for all," said Ms. Green, "and to safeguard against anyone being put out of work to create an opening."

Besides the tax credit, employers can be reimbursed for training costs and the loss of productivity while training the new employees. In addition, employers may write off costs at a faster than normal rate when building, buying, rebuilding or rehabilitating existing facilities for on-the-job training or the establishment of a day care center for employees.

In Atlanta there are numerous vocationally trained AFDC recipients available for work. And studies have shown that the work motivation of AFDC recipients is as strong as other workers.

Despite the availability of WIN Program registrants, utilization of tax credits by employers under the 1971 law was disappointing. Thus the 1975 Act broadened the pool of available workers and the Department of Labor initiated the communications test in four cities -- Atlanta, Minneapolis,

(more)

Tax Reduction Act - 3

Toledo and Houston. A combined public service advertising and public relations program is being conducted in these areas to inform employers of the benefits.

According to Green, employers interested in reducing their tax burden while acquiring some capable workers should contact the National Alliance of Businessmen at 404/526-6347. At present, this test program is set to expire in July of 1976. If results are favorable at that time, Congress may extend the program.

Atlanta, Minneapolis, Toledo and Houston were originally selected because of their excellent WIN programs, strong state employment services, and well run NAB offices.

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SAMPLE LETTER FOR FEATURE COVERAGE OF TAX REDUCTION ACT OF 1975

Mr./Ms. _____
Minneapolis Star
425 Portland Avenue
Minneapolis, MN 55415

Dear Mr./Ms. _____:

Two years ago, Lenny Streeter was spending his constructive time in front of a television set. His idle hours were spent in the streets, in the pool hall and at Sig's Bar. It wasn't that he was lazy--just a little despondent. After 14 months of trying fervently to find work, Lenny had succumbed to his frustrations. Fortunately for you and I, he didn't stay down long.

Today, Lenny is night foreman of a plastics factory. He's working 37½ hours a week and he's making over \$950 a month. As a welfare recipient with proven, practical skills, Lenny was just what J. L. Marsh Enterprises was looking for after Congress passed the Tax Reduction Act of 1975. It was this law that made Lenny more marketable, more appealing to the business world. He always had the talent and desire, now with this bit of legislation, he had the opportunity.

With the Tax Reduction Act of 1975, employers like J. L. Marsh were given special tax credits for hiring individuals like Lenny, tax credits amounting to 20% of the wages paid welfare recipients. The law benefits everyone. Welfare recipients get jobs. Employers get good help while reducing their tax burden considerably. And, you and I and society in general move closer to eliminating the costly welfare problem.

Lenny Streeter is just one of thousands of former welfare recipients now making good. We think your readers would like to read about him and the others.

If you have the space to print these stories, I'd be glad to send you the facts and figures. This material could do a lot to clear up some of the misconceptions about welfare. And I think it would be well received.

Thanks,

(NAB Letterhead)

Letter to Civic and Professional Groups

Dear _____:

A little known feature of the Tax Reduction Act of 1975 gives employers a tax credit equal to 20% of the gross wages when hiring a qualifying welfare recipient. As you've probably read in the Atlanta _____, our city has been chosen as a demonstration city along with Minneapolis, Minnesota; Houston, Texas; and Toledo, Ohio to see whether an information program increases the hiring of welfare recipients in Atlanta like the other three cities. The National Alliance of Businessmen is coordinating the project. Key to the success of this program is the dissemination of information to members of the business community. The program includes the use of newspaper, television, radio and presentations to civic and professional groups.

The purpose of this letter is to secure an opportunity to make a short personal presentation to your organization. We are in the process of constructing a schedule of presentations, hopefully to be completed by the beginning of May. The presentation would consist of a 15 to 20 minute description of the program followed by a question and answer period. If it is impossible to schedule us for a full program, we would appreciate the opportunity to make a five minute public service announcement either before, between or after the main speaker(s).

Enclosed you will find material describing the tax credit program and a reply card. The publishable article can be used (either all or part) in your association newsletter. (Please send a copy when you use it.) The reply card seeks a tentative presentation date and/or the name, address and phone number of the association's program director. It would be most helpful if you would complete the card. Mr. Timothy Pellizzer, the communications assistant for the demonstration will contact either you or the program director within two weeks.

Thank you for your consideration of this business-community-government program.

Sincerely,

Anna Grace Green
Metro Director, NAB

(NAB Return Address and
Postal Permit Number on Reverse)

____ Yes, we would like to have someone from NAB address our organization.

Name of organization _____

Name of Program Director _____

Telephone Number of Program Director _____

Tentative Speaking Dates Available _____

Length of speaking time is _____ 5 min. _____ 15-20 min.

_____ 30-40 min.

____ Sorry, we have no speaking dates available, but if you will call our Program Director at the above number, we will be glad to make arrangements to distribute literature to our members.

THE WELFARE TAX CREDIT: Tax Reduction Act of 1975

Under the Tax Reduction Act of 1975, employers can claim a tax credit on virtually any type of employment including domestic work in private homes and part-time seasonal jobs. All that is required is that the employee has been receiving AFDC for more than 90 days and will work for at least one month. The tax credit amounts to 20% of the cash wages paid to eligible employees during their first 12 months of employment. There is a ceiling of \$25,000, plus 50% of the tax liability over \$25,000 per tax year. There are carry over and carry back provisions as well.

This section of the Tax Reduction Act of 1975 reduces the amount of red tape in a similar program under the Revenue Act of 1971 (Work Incentive 'WIN' Program). Now an employer need only retain the employee for 30 days of substantially full-time employment. The new Act has expanded the pool of eligible employees, making it relatively easy to obtain certified employees.

To qualify for the credit, employers must provide a job resulting from a vacancy or new position. The job must meet all provisions of applicable minimum wage, health, safety, child labor, work hour and worker's compensation laws, and the eligible employee must receive the same wages and benefits as employees in similar positions.

NEWS RELEASE

FOR IMMEDIATE RELEASE

For further information contact:
(NAB Metro Director - phone no.)USE OF THE EMPLOYMENT TAX CREDIT
CAN REDUCE FEDERAL INCOME TAXES PAYABLE

Employment tax credits are available to stimulate employers to hire people who are on welfare, but many employers do not know how to take advantage of these credits. On _____ at the _____, (Mr. or Ms.) _____ will address the _____ Association on the topic of taking advantage of the employment tax credits to increase profits.

(Biographical materials on speaker)

TWO-MINUTE PUBLIC SERVICE ANNOUNCEMENT
ON THE FEDERAL WELFARE TAX CREDIT PROGRAM

THANKS FOR THE OPPORTUNITY TO MAKE THIS SHORT PUBLIC SERVICE ANNOUNCEMENT.

The U.S. Congress passed the Tax Reduction Act in March of 1975. One little-known section of this law permits employers to take a Federal income tax credit equal to 20 percent of the wages paid to persons of AFDC. AFDC stands for Aid to Families with Dependent Children. It is the Federal welfare program and is administered at the local level through the counties. The tax credit is a reduction of the income taxes you owe to the Federal government; it is not just another deduction. You total up your tax bill for the period, then you calculated 20 percent of the cash wages you paid to employees who were on AFDC, and deduct this amount from your taxes. If you paid \$10,000 in such wages, for example, you reduce your Federal income taxes by \$2,000. This is a substantial incentive -- you know how much you have to sell in order to come out with \$2,000 after taxes!

This tax credit incentive is not entirely new. Beginning in 1971, and still in effect, is a 20 percent tax credit for hiring persons registered with the U.S. Department of Labor's Work Incentive Program, or WIN Program. The new law expands on the old one in two important ways. One, it extends the availability of the tax credit to domestic employers. If you hire someone to work in your home as a baby sitter, nurse, housekeeper or whatever, you can claim the reduction on you personal income taxes. Second, while the WIN legislation requires that you retain the employee for 12 months in order to claim the credit, the new legislation permits claiming and keeping

the tax credit if you retain the employee a minimum of 30 days. This means that now you can claim a tax credit for hiring temporary employees who work on a substantially full-time basis.

An information brochure is available. If you have any questions about this program, please call the Office of the National Alliance of Businessmen here in Atlanta. The number to call is in the brochure. Thanks very much for your attention.

Script for a Fifteen-Minute Speech
on the Employment Tax Credits

Thanks very much Mr. Chairman and ladies and gentlemen.

I've got some good news and some bad news.....

But I don't know which is which.

One is that your Federal government is trying to help you.....

The other is that they are keeping it a secret.

In March of 1975, as part of the Tax Reduction Act, there is a section which can save you money on your corporate income taxes and on your personal income taxes. But it is an obscure passage, and very little information is available concerning it.

You can get a tax credit, or a tax reduction, equal to 20 percent of the wages you pay to someone who is on Aid to Families with Dependent Children, or AFDC. This tax credit is available to you if you hire someone in your business, or if you hire someone to work for you in your home as a nurse, housekeeper, babysitter, or other domestic worker.

The tax credit accrues for the first twelve months of employment for each person you hire. Perhaps twenty percent does not sound like an incentive. But suppose you hire two persons and pay them \$5,000 a year, that is \$10,000. Twenty percent of that is \$2,000. This means that you total up your federal income tax liability for the period, and deduct the \$2,000 directly. Now how much does your company have to sell in order to come out with \$2,000 of income after taxes?

There are some limitations. For a business tax credit there is a limitation of \$25,000 plus one-half of your remaining tax liability for the period. If you have a total tax liability of \$50,000, you can take \$25,000 plus one-half of the remaining \$25,000, or a total of \$37,500. There is a carry forward of seven years and a carry back of three years, so it is unlikely that you will ever generate more tax credits than you can claim.

On the domestic side, there is a limitation of \$1,000 for each person you hire.

If this legislation sounds familiar to you, I should mention that it is not entirely new. In 1971, legislation was enacted which permits an employer to claim a tax credit equal to 20 percent of the wages paid to a new employee registered with the Work Incentive, or WIN, Program. So two employment tax credits are available at present. The new legislation has three major differences.

1. You can take the tax credit for hiring a person on welfare, but who is not registered with WIN. It works like this. People apply for welfare if they are unable to support their children. This might happen because of a death in the family, illness, abandonment, or any of a number of reasons. The Welfare Department makes a determination concerning ability to work. If a person has children under six, usually he is not required to work, or to look for work, in order to maintain welfare benefits. If the person is required to work, he must register with the Department of Labor's WIN Program. WIN has a number of services designed to help their registrants find work and to become better prepared to work. There are some people, however, who want to work even though they are not required to work. The new legislation provides a tax credit for hiring from this group.
2. Under the earlier legislation, you had to retain the employee for 24 months in order to avoid recapture of it by IRS. If you had to fire the employee for good cause, you could claim the tax credit for the period of time that he was on your payroll, otherwise you cannot claim the credit. The new legislation requires that you retain the employee for a minimum of 30 days, so this relaxes the requirements.
3. For the first time, you can claim the tax credit for hiring someone to work in your home. You must, of course, obtain an employer number and withhold FICA from earnings, and you must pay at least minimum wages.

Now there are some employers who think that it is risky to hire people who are on AFDC because they feel they are unreliable, unproductive, and poorly motivated. It is probably true that some of them are. The same is true of the general population. In fact, there is no evidence to support the conclusion that people who are on welfare are generally different from the rest of us in terms of reliability, productivity, and motivation. And we have come in contact with no companies who have made studies of the differences in absenteeism, turnover, or productivity between welfare and non-welfare employees in the same jobs.

In 1975 about 180,000 persons on welfare found jobs. Only about 25,000 tax credit certifications were issued. This means that many employers were entitled to take a tax credit, and yet did not claim one. Why would a businessman forego dollars he has coming to him? About 20 percent of these employees worked for non-profit firms or firms with no tax liability, but this is only a small part of the explanation. The biggest reason is because many employers do not know that they have employees who entitle them to the tax credit. Why? Because the employees do not volunteer the information that they are on welfare. They are well aware of the biases against them. But the very fact that they merge into the labor force indicates that their work habits and skills are undistinguishable from those of the average employee. In fact, given the opportunity, they will do the job.

Right now there are several proposals before Congress to deal with unemployment. Most of them involve public service employment and the use of government as an employer of last resort. The tax credit is an attempt to solve the problem through the private sector. You might look at it this way. If someone is put to work for the government, you are paying part of his salary anyway. You may as well pay the entire salary, and at least get the benefit of the labor you are paying for.

There is a supply of information brochures available. Please take one before you leave. And if you have any further questions concerning the employment tax credits, please call the office of the National Alliance of Businessmen. Their number is in the brochure. Thank you.

CAMPAIGN ACTIVITIES IN THE DEMONSTRATION CITIES

All of the activities were conducted in all of the demonstration cities, but with varying degrees of emphasis. The activities monitored were: newspaper articles, television public service announcements, radio public service announcements, direct mail pieces, speeches, and telephone calls initiated from the NAB office to employers. A count was kept of inquiries into the NAB office resulting from these activities.

MINNEAPOLIS

Table 1 summarizes the campaign activities for Minneapolis.

Table 1

Summary of Campaign Activities By Month in Minneapolis

Month	News- paper Arti- cles	TV Spots	Radio Spots	Direct Mail Pieces	Speeches Made	Phone Calls	Total Inqui- ries Re- ceived	Hiring Inqui- ries ^a
Sep	1	0	0	0	0	0	13	0
Oct	2	17	149	2,900	1	4	56	14
Nov	0	35	211	0	8	265	49	6
Dec	0	37	244	1,200	3	63	83	23
Jan	1	33	150	24,000	1	0	119	40
Feb	0	22	158	450	1	0	75	29
Mar	0	30	384	0	4	0	45	13
Apr	0	24	357	0	0	0	29	10
May	0	23	354	0	1	0	11	4
TOTALS	4	221	2,007	28,550	19	332	480	139

^aHiring inquiries received include job orders which were relayed to the WIN office, numbering 87, and employers calling in to get more information because they would be hiring for specific jobs in the near future, numbering 52.

It is difficult to trace the effects of any one medium on overall results because respondents may have been exposed to the message from several different media. When this is the case, there may be a reinforcing effect which may result in actions on the part of the respondent which would be absent if only one exposure were experienced. A direct mail piece, for example, might be remembered better if it followed exposure to a television advertisement, than if it were the first impression. Nonetheless, it appears that inquiries closely correlate with direct mailings in Minneapolis. It also seems that productive inquiries, i.e., job orders, fluctuate with the total number of inquiries received. The fact that over 20 percent of the respondents could not remember where they heard the message may be caused, in part, by multiple exposure.

Several TV and radio stations ran news items when the campaign began, while four television stations and 16 radio stations ran the PSA's during the campaign period, contributing time which would have cost \$43,900 for television and \$37,179 for radio. In addition, one television station and two radio stations held Talk Shows with the NAB Metro Director to further publicize the tax credit program. Copies of the newspaper articles which appeared are shown on pages 13-16. Finally, a full-page black and white advertisement appeared during April 1976 in the Minneapolis Metro editions of Time, Newsweek, US News and World Report, and Sports Illustrated. A copy of this advertisement appears on page 43. No inquiries into the NAB office occurred as a result of this exposure.

Table 2 summarizes the sources of information used by those who inquired and the nature of the inquiries. The largest percentage of the total inquiries resulted from direct mailings, which also generated the most job orders. Television generated a large number of inquiries, but almost half of these were from persons on AFDC who were looking for work.

Table 2

Sources of Information on the Tax
Credits by Category of Inquiry in Minneapolis

Category Of Inquiry	Total Inquiries		News Articles		Tele- vision		Radio		Speech		Want Ad		Acc't Exec.		Phone		Mail		Don't Know	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Employer Job Order	88	18.8	0	0	6	8.7	6	17.1	1	12.5	3	50.0	0	0	3	4.2	49	30.4	20	20.6
Employer Job Interest	53	11.3	2	13.3	5	7.2	6	17.1	1	12.5	0	0	1	20.0	12	16.9	17	10.6	9	9.3
AFDC Recipient Wants Work	61	13.1	5	33.3	34	49.4	9	25.7	0	0	2	33.3	1	20.0	0	0	3	1.8	7	7.2
Employer Check- ing On Present Employee	99	21.2	1	6.7	11	15.9	2	5.7	0	0	0	0	1	20.0	2	2.8	51	31.7	31	32.0
More General Information	166	35.5	7	46.7	13	18.8	12	34.4	6	75.0	1	16.7	2	40.0	54	76.1	41	25.5	30	30.9
TOTAL	467 ^a	99.9	15	100.0	69	100.0	35	100.0	8	100.0	6	100.0	3	100.0	71	100.0	161	100.0	97	100.0
PERCENT	100.0		3.2		14.8		7.5		1.7		1.3		1.1		15.2		34.5		20.7	

SOURCE: Logged inquiries into the NAB offices compiled by IMPACT.

^aDoes not total to 490 because 13 inquiries in September not logged by category.

Minneapolis
STAR 9/30/75

City chosen for AFDC job hiring program

Minneapolis is one of three cities chosen for a pilot project to see whether the hiring of some welfare recipients can be increased through a public relations program to inform employers of tax breaks.

There has been little use of such tax credits although they have been available since 1971 for employers of persons receiving Aid to Families with Dependent Children (AFDC).

The U.S. Department of Labor has chosen Minneapolis, Toledo, Ohio, and Houston, Texas, for the project, to be called "Give a Break" — "Get a Break," to see whether informing employers of the benefits available would increase their participation.

The test is being coordinated by the local offices of the National Alliance of Businessmen, which also can put interested employers in touch with AFDC recipients available for work.

Under 1975 laws, employers can obtain an income-tax credit for 20 percent of the wages paid to employees who have received AFDC benefits for at least 90 days and who work for at least a month.

The job must meet all federal and state requirements on wages, health and safety and must pay wages and benefits equal to those received by workers in similar positions to prevent their being put out of their jobs to create openings.

Employers also can be reimbursed for training costs and for loss of productivity while training the new employee.

Minneapolis Tribune
Wed., Oct. 1, 1975

13A

City chosen for welfare hiring push

Minneapolis is one of three cities chosen for a Department of Labor test to see whether intensive advertising and public-relations efforts can spur employees to use a federal program for hiring welfare recipients.

Since 1971, employers who hire persons receiving Aid to Families with Dependent Children (AFDC) have been eligible to receive tax credits for part of the employees' salaries. Few employers have used the program.

Employers can claim tax credit on virtually any type of employment so long as the employee has been receiving AFDC for more than 90 days and will work for at least a month.

The job also must meet all applicable laws dealing with minimum wage, health, safety, child labor, work hours, equal opportunity and workers compensation.

The tax credit amounts to 20 percent of the cash wages paid to eligible employees during their first 12 months. Employers also can be reimbursed for training costs and loss of productivity while training new employees.

The test in Minneapolis is being coordinated by the National Alliance of Businessmen and is to expire next July.

Commercial West 10/4/75

Minneapolis selected as test center for new tax act

Minneapolis is one of three major cities designated test areas for a pilot project called "Give A Break - Get A Break," to determine whether an intensive communications program will improve employer utilization of the tax credits available for hiring individuals receiving Aid to Families With Dependent Children.

The test is being sponsored by the Department of Labor and is, according to government sources, an unusual attempt by the Federal Government to stimulate interest in utilizing a particular piece of legislation through media. In the three target cities, the test is being coordinated by the local National Alliance of Businessmen office.

Under the revamped Tax Reduction Act of 1975, employers can claim a tax credit on virtually any type of employment, including domestic work in private homes and temporary or seasonal jobs. All that is required under the new law is that the employee has been receiving AFDC for more than 90 days and will work for at least one month. The tax credit amounts to 20 percent of the cash wages paid eligible employees during their first 12 months. Tax credits are reductions of taxes owed, not deductions made before computing taxes. There is a tax credit ceiling of \$25,000, for a single taxable year, plus one-half the excess over \$25,000, but the laws have carryover and carryback provisions as well.

According to Robert Callaghan, Metro Director of the National Alliance of Businessmen, these tax benefits have been around to a lesser degree for some time.

"Under the Revenue Act of 1971, employers could get a tax credit for hiring workers registered with the Work Incentive (WIN) Program," said Callaghan.

To qualify for either of the tax credit plans, employers must provide a job resulting from a vacancy or new position. The job must meet all provisions of applicable minimum wage, health, safety, child labor, work hour, FEOL and workers compensation laws. And the AFDC recipient must receive the same wages and benefits as everyone else in similar positions. "This is to insure equal rights for all," said Callaghan, "and to safeguard against anyone being put out of work to create an opening."

Besides the tax credit, employers can be reimbursed for training costs and the loss of productivity while training the new employees. In addition, employers may write off costs at

ing, buying, rebuilding or rehabilitating existing facilities for on-the-job training or the establishment of a day care center for employees.

In Minneapolis there are numerous vocationally trained AFDC recipients available for work. And studies have shown that the work motivation of AFDC recipients is as strong as other workers.

Despite the availability of WIN work registrants, utilization of tax credits under the 1971 laws was disappointing. Thus the 1975 Act broadened the pool of available workers and the Department of Labor initiated the communications test in three cities — Minneapolis, Toledo and Houston. A combined public service advertising and public relations program is being conducted in these areas to inform employers of the benefits.

According to Callaghan, employers interested in reducing their tax burden while acquiring some capable workers should contact the local National Alliance of Businessmen at (612) 333-0376. As of now, this test program is set to expire in July, 1976. If results are favorable at that time, Congress may extend the program.

Minneapolis, Toledo and Houston were originally selected because of their excellent WIN programs, strong state employment services, and well-run NAB offices.

SKYWAY NEWS, WED., JAN. 21, 1976, PAGE 23

Program allows tax credit for employing workers on AFDC

Minneapolis is one of three cities designated test sites for a pilot project called "Give A Break—Get A Break," designed to determine whether an intensive communications program will improve employer utilization of the tax credits available for hiring individuals receiving Aid to Families With Dependent Children.

The test is being sponsored by the Department of Labor and is, according to government sources, an unusual attempt by the Federal Government to stimulate interest in utilizing a particular piece of legislation through media. The test is being coordinated by the local National Alliance of Businessmen office.

Under the revamped Tax

Reduction Act of 1975, employers can claim a tax credit on virtually any type of employment, including domestic work in private homes and temporary or seasonal jobs. All that is required under the new law is that the employee has been receiving AFDC for more than 90 days and will work for at least one month.

The tax credit amounts to 20 percent of the cash wages paid eligible employees during their first 12 months. Tax credits are reductions of taxes owed, not deductions made before computing taxes. There is a tax credit ceiling of \$25,000, for a single taxable year, plus one-half the excess over \$25,000, but the laws have carryover and carryback provisions as well.

According to Robert Callaghan, Metro Director of the National Alliance of Businessmen, these tax benefits have been around to a lesser degree for some time. "Under the Revenue Act of 1971, employers could get a tax credit for hiring workers registered with the Work Incentive (WIN) Program," said Callaghan.

To qualify for either of the tax credit plans, employers must provide a job resulting from a vacancy or new position. The job must meet all provisions of applicable minimum wage, health, safety, child labor, work hour, EEOC and workers compensation laws. And the AFDC recipient must receive the same wages and benefits as everyone else in similar positions. "This is to insure equal rights for all," said Callaghan, "and to safeguard against anyone being put out of work to create an opening."

Besides the tax credit, employers can be reimbursed for training costs and the loss of productivity while training the new employees. In addition, employers may write off costs at a faster than normal rate when building, buying, rebuilding or rehabilitating existing facilities for on-the-job training or the establishment of a day care center for employees.

Despite the availability of WIN work registrants, utilization of tax credits under the 1971 law was disappointing. Thus the 1975 Act broadened the pool of available workers and the Department of Labor initiated the communications test in three cities—Minneapolis, Toledo and Houston. A combined public service advertising and public relations program is being conducted in these areas to inform employers of the benefits.

According to Callaghan, employers interested in reducing their tax burden while acquiring some capable workers should contact the local National Alliance of Businessmen at (612)333-0376.

Houston Post 9/5/75

Houston one of 3 test cities

Houston has been chosen as one of three test cities for a pilot project, beginning Oct. 1, to determine whether an intensive communications program will improve employer use of tax credits available to them for hiring recipients of Aid to Families with Dependent Children.

A major role in the survey will be played by the Houston metro chapter of the National Alliance of Businessmen.

Stanley F. Allison, executive vice president of Tenneco, Inc., was recently appointed by President Ford to serve as metro chairman and began a one-year term on Sept. 1.

Allison has selected Lois B. Parsons, an employee relations administrator in Tenneco's employee relations department, to serve full-time as Houston metro director at the NAB offices, 3637 W. Alabama.

A partnership of business, labor and government formed at the request of the late President Johnson to make more room in the economy for the chronically unemployed. NAB also coordinates programs for the employment of veterans and ex-offenders.

The survey to be conducted here, in Toledo and in the twin cities of Minneapolis-St. Paul will assess whether employers will hire more recipients of AFDC if they understand the tax advantages of doing so.

Under the Tax Reduction Act of 1975, these credits are available on any type of employment including domestic work in private homes, part time or seasonal jobs. The credit amounts to 20 per cent of the cash wages paid eligible employees during their first 12 months on the job.

The employee must have been receiving public assistance for more than 90 days before being hired and must work for at least one month. There is a ceiling of \$25,000 on tax credit that can be claimed in a sin-



LOIS PARSONS



S. F. ALLISON

gle taxable year, plus half the excess over \$25,000.

These provisions of the act will expire in July, 1976 unless extended by Congress. Findings of the three-city survey will be reported to the Labor Department for possible presentation to Congress if an extension seems desirable.

Houston Post 10/20/75.

Give a break—get a break

Hiring welfare recipients can save you money through a new tax credit program

By BRENDA STONE
Post Reporter

If you already are worrying about filing your 1975 federal income tax forms, take heed: A new tax credit program for employers now is available and it might save you money.

Eligible for the credit is any employer — a household or business — who will hire or has hired since March 29 this year a person who receives welfare payments under the Aid to Families and Dependent Children (AFDC) program.

The new employee must have been receiving AFDC funds continuously for at least 90 days prior to being hired in order for the employer to claim the tax credit.

And any type of worker — including domestic help, adult regular baby sitters in private homes, seasonal, and part-time employees — may make the employer eligible for the new tax break, according to

bulletins from the Internal Revenue Service.

The employer's tax credit amounts to 20 per cent of the wages paid to AFDC-receiving employees during the first 12 months of work, and for any portion of the year they worked, even if they have not completed the full 12 months. The minimum work time is 30 days.

The tax credit can be applied only to wages paid these employees after March 29, 1975 (it is not retroactive) and before July 1, 1976, which is the scheduled end of the special tax credit program, as established by Congress.

"The goal of the program is to serve as an incentive for employers to hire welfare recipients," said Lois Parsons, director of the Houston office of the National Alliance of Businessmen, 3637 W. Alabama St.

"And obviously the longer-range practical effect will be that by giving welfare recipients jobs, it may get them off the welfare rolls," she said.

According to a brochure the NAB began distributing this month, if a worker receives wages of \$5,000, the employer can claim a \$1,000 tax credit. In a corporate setting, if 25 workers are hired for salaries of \$5,000 each, the employer's credit will be \$25,000. But for corporations, there is a ceiling on the amount of credit that may be claimed for a single taxable year — \$25,000 plus one-half of the amount of wages paid in excess of \$25,000.

The new tax credit program, established under the Tax Reduction Act of 1975, is an expansion of tax break provisions contained in the Revenue Act of 1971. Under that program, employers could obtain tax credits for hiring AFDC recipients, but only for certain types of jobs and only if the new employee was registered with the federal Work Incentive (WIN) program.

The 1975 act broadens the provisions to include domestic workers in private homes for the first time and "virtually any other sort of work," Parsons said. The AFDC re-

cipient does not have to be registered with WIN.

Employers seeking to hire welfare recipients and persons on welfare who are looking for jobs are asked to contact the job bank of the local Texas Employment Commission office, 224-4211.

Currently in Harris County there are 18,500 families (covering approximately 54,000 people) receiving AFDC payments, according to Barry Fredrickson, Houston area regional director of financial services for the Texas Department of Public Welfare.

"The TEC job bank has the names of at least 11,000 AFDC clients — virtually all women — who are seeking work," he said.

"It's a myth that welfare clients are not looking for jobs," he added. "Of course there are some people from all walks of life who don't want to work and are willing to live in total poverty. And that's how they live if all they get is the average AFDC payment of \$114 a month. But it's only

about 5 per cent of the people on the rolls who will settle for that."

The reason more of the 54,000 persons covered by welfare are not on the job bank list, he said, is that many are children, senior citizens, or physically disabled persons who are unable to work.

Employers can not claim a tax credit if they have fired a current employee in order to hire an AFDC recipient; if they do not pay the new employee the applicable minimum wage or adhere to other health, safety, child labor, work hour, workers compensation, and equal opportunity standards; or if a firm has moved within the last two years and left unemployed workers behind.

In order for an employer to claim the special tax credit, he will have to obtain and file two documents with his 1975 tax returns, Fredrickson said.

First, the employer will need to obtain certification that his employee is receiving

Please see Give/page 2B

When Prudential gave this former welfare recipient a job, they got a good worker and a great tax credit. D 45



Prudential Insurance Company knows the value of a hardworking employee and a dollar. That's why over 65 former welfare recipients have been hired since 1972. Besides getting good employees, Prudential, because of a little known federal law, also benefited on more than \$33,000 in tax credits.

Prudential, as well as the hundreds of other companies involved in the Give A Break-Get A Break program, knows that a \$33,000 tax credit can be equal to nearly \$65,000 of income taxed at the 48% corporate rate.

Even if your company isn't as large as Prudential, it can still qualify for a 20% tax credit on wages paid employees formerly on welfare.

It's easy, no red tape. Fill out one form and at the end of the year — take the tax credit.

That's not all. In addition to the 20% tax credit, your company may receive money for on-the-job training. Also you may amortize building costs, or day care facilities, at a faster than normal rate.

The welfare recipients, sponsored by the Give A Break-Get A Break program, want, and are able, to do a good job for your company. Prudential says: "The employees we have hired from this program are job ready and have as high a work motivation as our other employees." One field supervisor reports that a former welfare recipient, now a Prudential field service clerk, has done an "outstanding job and is a definite asset to the office." Other managers report that they are

willing to assume responsibility on their own.

The Give A Break-Get A Break program is a way to decrease taxes, while finding vocationally trained workers.

Increase your company's profit by calling the Atlanta National Alliance of Businessmen at (404) 526-6347.

Everybody deserves a break.



**The National
Alliance
of Businessmen**

PUBLICIZING THE DOMESTIC EMPLOYMENT FEATURE

The welfare tax credit offers a tax credit to those who employ AFDC recipients to work in their (employer's) homes. This is a new feature of employment tax credit legislation, and an attempt was made to publicize this feature in the Minneapolis market. This effort had three aspects. The first was to make speeches to homemaker's groups. Homemakers clubs, garden clubs, and other similar groups were contacted to try to arrange speaking engagements. There was no interest and we could not get on any programs.

The second aspect of the effort was to contact employment agencies which specialize in the placement of domestic help. There are three of these in Minneapolis. They were unaware of this legislation, but felt that they could not take advantage of it for three major reasons. First, their employees are with them for very short periods of time on the average so that it would not be worthwhile to set up the program. Second, it can be difficult to identify the AFDC recipient. Third, WIN regulations prohibit an agency from collecting fees from the employee.

The third aspect of the effort was to run a small advertisement in the classified section of the newspaper for one week. This ad is shown on the following page. The WIN office was not enthusiastic about this ad because they do not like to place people in domestic employment. There were six inquiries into the NAB office as a result of this ad. One wanted general information, two were looking for work, two were looking for baby-sitters, and one was looking for a yardman. Those looking for an employee were referred to the WIN office.

This part of the information campaign did not appear to be working so it was discontinued. In addition to the difficulty of identifying AFDC recipients, another deterrent to the hiring of domestic help is that few domestic employers have, or wish to obtain, an employer number to withhold federal taxes and FICA, and to pay minimum wages. These are stipulated requirements in order to qualify for the tax credit.

IDENTIFYING THE AFDC RECIPIENT

Because of the paramount importance of identifying the AFDC recipient, and the difficulty of doing so, a couple of things were done to try to get the AFDC recipient to identify himself/herself when interviewing for a job. One thing was to try to persuade the welfare departments in the demonstration areas to stress this with their clients personally and through the mail. It is not possible to know how often the tax credit was mentioned to clients by social workers in the welfare offices. Only two instances of written communications were found. One occurred in Anoka county in suburban Minneapolis where the October newsletter to all clients carried the following paragraph:

JOB HUNTING If a prospective employer doesn't know you are receiving AFDC, it could actually help you land the job by telling him. Not all employers know that they are eligible for a tax credit equal to 20% of gross wages paid AFDC recipients between 3-29-75 and 6-30-76 providing they retain employee for 30 days or longer and employee received AFDC continuously for 90 days immediately prior to employment.

This message was delivered on the initiative of the Anoka County Welfare Department. The following one, which was mailed with checks to clients in Houston the week of December 15, 1975, followed IMPACT's suggestion.

JOB HUNTING?

Tell your prospective employer you are receiving AFDC. It might actually help you land the job. You see, until June 30, 1976, the government has provided a tax break for employers who hire AFDC recipients if the person they hire has been receiving AFDC for 90 days and remains employed for at least 30 days. If your prospective employer does not know about this program, tell him. He might hire you because of it.

The other effort was an attempt in Minneapolis to provide some identification card which AFDC recipients might present at a job interview. They all carry an identification card which is provided by the Welfare Department, and which must be shown when the welfare checks are cashed, but showing this card for other purposes is seldom done. Apparently many people on AFDC have found that it is preferable to divulge their AFDC status as infrequently as possible.

It was suggested that ordinary business cards be provided to those AFDC recipients who wanted them. The card would have the name and address on one side, and mention of the tax credit on the other side. Facsimiles of the suggested letter, business reply card, and business card are shown on the next pages. There was some resistance to the idea in the Welfare Department, and the fact that the welfare tax credit was to expire July 1, 1976, made it unlikely that anything could be accomplished in time to be effective. No further efforts were made to solve the identification problem.

(Hennepin County Letterhead)

Dear _____:

Here is a sample of a personal calling card which is available free for your convenience. If you would like to have a small supply of these cards, just complete the enclosed order form and drop it in the mail. Each card has your name, address, and phone number, so be sure to write your name exactly as you want it on the card.

These cards have many uses, but they are particularly valuable when you are going to a job interview. A card presented to the interviewer at the start of the meeting opens it on a business-like basis. Notice that there is no mention of welfare or any other government agency on the card, but there is a reference to the employment tax credit. Many employers do not know that they can get a reduction of their federal income taxes if they hire you, and this is a way to let them know. Also, it may give you an advantage if you are looking for a job.

On the back of the card is the telephone number of the National Alliance of Businessmen, so that if your interviewer has any questions, he has someone to go to for answers.

Ordering these cards does not obligate you to seek work, but you will find them to be very useful if you do.

Please get the enclosed order form back to us as soon as possible if you want your personal calling cards.

Sincerely,

Program Supervisor

Mary Doe
1876 Fairway Court
Minneapolis, Minnesota 55449
Telephone 389-7384

Employment Tax Credit Opportunity

FRONT

For further information on
the 20% employment tax credit,
please call The National
Alliance of Businessmen.

(612) 333-0376

BACK

VINYL CARD HOLDER

BUSINESS REPLY CARD

(Back)

_____ Please send me a supply of personal calling
cards.

Name _____

Address _____

City _____

Telephone _____

(Front)

First Class
Permit No.

Minneapolis, MN.

Business Reply Mail
No Postage Necessary if mailed in the United States

Postage will be paid by

Hennepin County
Government Center
Minneapolis, Minnesota 55487

HOUSTON

Table 3 summarizes the campaign activities in Houston. The major emphasis here is on phone calls.

Table 3

Summary of Campaign Activities
By Month in Houston

Month	News- paper Arti- cles	TV Spots	Radio Spots	Direct Mail Pieces	Speeches Made	Phone Calls	Total Inqui- ries Re- ceived	Hiring Inqui- ries
Sep	1	0	0	0	0	828	0	0
Oct	1	51	128	995	0	1,177	22	3
Nov	0	38	145	576	1	1,037	13	5
Dec	0	42	130	720	0	1,949	12	4
Jan	0	37	132	551	2	1,840	39	15
Feb	0	34	126	511	3	1,452	21	10
Mar	0	29	404	470	2	919	27	7
Apr	0	39	435	205	0	627	3	2
May	0	40	447	0	0	0	0	0
TOTALS	2	310	1,947	4,028	8	9,829	137	46

In Houston, five television stations and 18 radio stations participated, contributing time which would have cost \$29,505 for television and \$52,705 for radio. In addition, many radio and television stations ran news coverage in September. Copies of the newspaper articles appear on pages 28 & 29. Neither total inquiries nor hiring inquiries are closely related to media activities.

Table 4 shows the numbers of inquiries which came into the NAB office in Houston during the campaign, tabulated by source of information. Here, the majority of the inquiries were generated by TV, as were the numbers of inquiries which were related to hiring new employees. Considering the large number of telephone calls which were initiated out of the NAB office in Houston, it may be surprising that so few inquiries resulted. In general, however, the purpose of the phone calls was to relay information to employers. Any questions which they might have had would be answered during the course of the phone call. It would be pointless, then, for the same respondent to call back into the NAB office with a job order, because he would already have learned that the WIN office has the job applicants. It is highly probable that calls for job orders or hiring-related calls would be placed with the WIN office directly, rather than through NAB.

Table 4

Sources of Information on the Tax
Credits by Category of Inquiry in Houston

Category Of Inquiry	Total Inquiries		News Articles		Tele- vision		Radio		Phone		Mail		Don't Know	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Employer Job Order	31	22.6	2	22.2	11	14.3	3	33.3	3	60.0	7	41.1	5	25.0
Employer Job Interest	15	10.9	3	33.3	8	10.4	1	11.1	0	0	2	11.8	1	5.0
AFDC Recipient Wants Work	46	33.6	0	0	38	49.3	2	22.2	0	0	0	0	6	30.0
Employer Check- ing on Present Employee	3	2.2	0	0	1	1.3	0	0	0	0	2	11.8	0	0
More General Information	42	30.7	4	44.5	19	24.7	3	33.4	2	40.0	6	35.3	8	40.0
TOTAL	137	100.0	9	100.0	77	100.0	9	100.0	5	100.0	17	100.0	20	100.0
PERCENT	100.0		6.6		56.2		6.6		3.6		12.4		14.6	

TOLEDO

The campaign in Toledo began in late October, and was intended to continue for a period of four months rather than eight months, as in Minneapolis and Houston. Therefore, speeches and phone calls were discontinued at the end of January. Reports on inquiries received were terminated at the same time. Mailings, however, were continued because of the availability of the UI list. The response from the radio stations had not been monitored accurately, so these data for the months prior to March were lost. A revised effort to obtain these data in March resulted in renewed interest by radio stations in running the ads, so counts were kept through May. The activities in Toledo are summarized in Table 5.

Table 5
Summary of Campaign Activities
By Month in Toledo

Month	News- paper Arti- cles	TV Spots	Radio Spots	Direct Mail Pieces	Speeches Made	Phone Calls	Total Inqui- ries Re- ceived	Hiring Inqui- ries ¹
Oct	0	0	0	0	0	0	0	0
Nov	1	19	NA	3,050	0	0	25	8
Dec	0	19	NA	350	0	141	19	6
Jan	0	19	NA	121	2	200	19	1
Feb	1	20	NA	0	0	0	0	0
Mar	0	25	534	10,383	0	0	20	5
Apr	0	21	416	300	0	0	8	2
May	0	24	395	0	0	0	0	0
TOTALS	2	147	1,345	14,204	2	341	91	22

In Toledo, three TV stations and ten radio stations participated, contributing time which would have cost \$17,375 for television, and \$23,666 for radio. In addition, there was excellent news coverage by the electronic media. The newspaper articles which appeared are shown on pages 31 & 32.

THE BLADE: TOLEDO, OHIO, SUNDAY, NOVEMBER 2, 1975

Toledo One Of Three Cities In Experiment**Plan Ties Tax Break To Jobs****Hiring Needy Program Aim**

By AL GOLDBERG

Blade Business Editor

Toledo has been selected as one of three cities in the nation to test the feasibility of a new federal law designed to give a tax incentive to private employers who hire welfare recipients.

The law — the Tax Reduction Act of 1975 — permits employers to claim a special employment tax credit on their federal income taxes for hiring anyone who has been receiving Aid to Families With Dependent Children (commonly called ADC). The tax credit amounts to 20 per cent of the employee's wages during the first 12 months of employment.

The new law is a more liberalized version of one passed originally in 1971, but there is a catch. Congress passed it only on a temporary basis, through next June, to see what effect it might have on stimulating the economy and the hiring of welfare recipients at the same time.

LAWMAKERS SAID they want to see if it really helps

get ADC recipients off welfare rolls before deciding whether to make it permanent.

That's where Toledo, Minneapolis, and Houston come in.

Since the law became effective seven months ago, there has been virtually no increase in the number of welfare recipients hired by private businesses, locally as well as nationwide. The Labor Department, and welfare officials concluded that this is because virtually no one knew about the more liberal law — or even the less liberal older version, for that matter.

So, the Labor Department selected Toledo, Minneapolis, and Houston for a concentrated program to see if getting the word out to businesses can improve the usage of the tax incentive measure.

They have contracted with the National Alliance of Businessmen (NAB) to carry out the program in the three cities, which were selected because of their size, the characteristics of their business communities, and the blend of minorities and so-called disadvantaged persons in the work force. Another factor was performance of the local NAB operation, which locally has provided jobs for some 10,000 disadvantaged persons since it came into existence in 1968.

RONALD ALLAN, who is on loan as an executive of Owens-Corning Fiberglas Corp. to serve as metro director of NAB this year, said its new task is a natural for the organization, since its major reason for being is to find jobs for the disadvantaged, many of whom are ADC recipients.

The new law enables the employer to begin claiming the 20 per cent tax credit after the new employee has been on the job only 30 days. Under the old law, the credit couldn't be claimed until the employee had been on the job for 12 months.

The law also reduces the length of time for an employee to have received ADC for his

employer to qualify for the tax credit. The former 12-month ADC requirement has been reduced to 30 days.

Mr. Allan explains that virtually any sort of private employment is eligible for the tax credit, including, for the first time, domestic work done in a private home. The person who hires the ADC recipient for domestic work of any kind merely takes the 20 per cent tax credit off his or her personal income tax.

The new tax credit also applies to wages of persons hired for temporary or seasonal employment, so long as they are on the job more than 30 days altogether.

MR. ALLAN explained that the tax credit is, in many instances, double the 20 per cent provided in the law. He explained that if a worker is paid \$5,000 in wages, the 20 per cent tax credit is \$1,000. In a corporate setting, a \$1,000 tax credit represents nearly \$2,000 of income taxed at the 48 per cent corporate rate.

The number of persons eligible for hiring in the Toledo area whose wages would qualify for the tax incentive is more than 4,000. They are reg-

istered for employment under the so-called WIN program — Work Incentive Program — through the welfare department and the state employment service. Mr. Allan said the number of persons eligible is known exactly since Ohio law requires all ADC recipients to register for employment under the WIN program.

In implementing the recruitment and educational program, the Toledo NAB office will contact thousands of employers in the area to inform them of the availability of the tax incentive.

IN ADDITION to businesses, NAB also plans to contact area tax accountants and tax attorneys who are deeply involved in figuring income taxes.

Robert Kenney, a NAB staff member who is in charge of the tax incentive promotion, said that companies still can qualify for the tax credit for any ADC recipient they have hired since the law became effective earlier this year.

The Toledo NAB office has installed a special telephone number (476-4666) to handle inquiries about the tax credit.

DOES YOUR COMPANY NEED A SOLID GROWTH MAN?

I want to put my wide experience, brains, and top managerial skills to use in a Toledo area business. Degree from top school, integrity and motivation from within. Age 42.

TOLEDO P.O. BOX 8544 43673

AVAILABLE NOW!**TOP FIVE MANAGER—AGE 42**

Emphasizing corporate planning, management, sales, purchasing, engineering, service and finance. Looks for growth in Toledo area.

P.O. Box 8544, Toledo 43673

**PRIME RETAIL
OR OFFICE SPACE IN
ESTABLISHED
SHOPPING CENTER**

Will remodel to suit tenant. Can accommodate most any operation from

NAB Hopeful Of Reaching Goals

Economic Recovery Cited As Key Reason For Optimism

With hiring patterns hopefully on the upswing in the next couple of quarters, the National Alliance of Businessmen looks forward to increased success in meeting its goals for this fiscal year.

The NAB is a voluntary organization of business executives whose objective is to find jobs in private business for unskilled or otherwise disadvantaged or unemployed persons.

The goal for fiscal 1976 is to find jobs for 3,500 persons, including 1,130 disadvantaged youths for the summer. During the first two fiscal quarters, the alliance already has found jobs for 1,542 persons, including 935 for disadvantaged youths, 249 for veterans, 38 for ex-offenders, and 320 for persons otherwise considered economically disadvantaged.

Unemployment Easing

One of the reasons for NAB's optimism lies in the dropping unemployment rate for the Toledo area, according to Ronald Allan, NAB metropolitan director.

Unemployment stood at 12.2 per cent in February, 1974, Mr.

Allan said. But the rate has been dropping ever since and was at 7.9 per cent in November, 1975.

Continued economic recovery should help NAB increase new hirings among companies active in the NAB program. Such companies now number about 245, Mr. Allan said.

During fiscal 1975, NAB found jobs for 2,173 persons, including 585 jobs for persons economically disadvantaged, 636 for veterans, 45 for ex-offenders, and 907 jobs for youths during the summer.

Slowdown Cited

The figures were down compared with 1974, Mr. Allan said, because of the economic slowdown. In fiscal 1974, NAB found jobs for almost 3,000 persons.

Since it was founded in April, 1963, the Toledo NAB operation has found jobs for more than 20,000 persons, including more than 3,000 in its summer youth program.

Mr. Allan estimated that some 52 per cent of the newly employed persons have remained on the job for at least 90 days.

Many of those who left have gone on to better jobs.

The NAB operation has been headquartered in the Board of Trades Building downtown, where it was moved in 1974 after Owens-Corning Fiberglas Corp. became the parent company for the program.

A new program sponsored by NAB, the University of Toledo and Toledo Public Schools is called a Career Guidance Institute. The program is designed to orient high school teachers and guidance counselors about the employee needs of private industry.

Career Education

The first session met Jan. 27 to study industry's view of career education. The institute will last until March 30 and some 30 persons are enrolled. TU grants graduate school credit for the institute through the college of education, Mr. Allan said.

The real object of such programs as the institute is to prevent unemployment at its source, Mr. Allan said, through the training of youth in skills necessary to obtain permanent employment.

It is hoped that high school teachers and guidance counselors, once familiar with the current and future needs of private

industry, can direct their students toward meaningful training.

Another promising development is a special employment tax credit through the Tax Reduction Act of 1975. Companies hiring anyone who has been receiving Aid to Families With Dependent Children (commonly called ADC), can take a tax credit of 20 per cent on the employee's wages during the first 12 months of employment.

Toledo Selected

Toledo, along with Minneapolis and Houston, was selected late in 1975 for a concentrated program to see if getting the word out to businesses can improve the usage of the tax incentive measure.

The survey is needed by Congress to see whether the tax incentive program is worth continuing. The important change in the law, first passed in 1971, allows employers to claim the tax credit after only 30 days the employee is on the job.

Toledo and the other two cities picked for the concentrated survey effort were chosen out of 130 NAB metropolitan area, NAB officials said.

The Toledo NAB office serves a 15-county area in northwestern Ohio.

The Toledo NAB office sent letters with business reply cards. A total of 83 of these cards were returned, and 20 requests for hiring information were among them. Also, in January, 10 inquiries were received from persons looking for work. These letter inquiries resulted from the television spots. Eight phone inquiries were received in April as a result of the mailings, and two of these were job orders.

ATLANTA

The campaign in Atlanta began in late January 1976 with a news conference and continued through May. The activities in Atlanta are summarized in Table 6.

Table 6

Summary of Campaign Activities
By Month in Atlanta

Month	News- paper Arti- cles	TV Spots	Radio Spots	Direct Mail Pieces	Speeches Made	Phone Calls	Total Inqui- ries Re- ceived	Hiring Inqui- ries
Jan	2	45	100	0	0	0	4	1
Feb	0	83	200	450	0	0	9	1
Mar	0	33	424	0	2	0	16	0
Apr	0	40	549	20,000	2	0	43	5
May	0	45	577	0	2	0	29	6
TOTALS	2	246	1,850	20,450	6	0	101	13

In addition, the same full-page black and white advertisement which was used in Minneapolis appeared in the Atlanta metro edition of Time on May 10, 1976; Sports Illustrated on May 3; and Newsweek and US News and World Report on May 24. It had been planned originally to have these advertisements appear in March, and that they would appear free of charge because the space in these magazines would not be sold out to paying advertisers. As it turned out, the space continued to be sold out month after month. It was, therefore, decided to purchase this space for the Atlanta metro area. Copies of the newspaper article appear on pages 35 & 36.

In Atlanta, four television stations and 18 radio stations participated, contributing time which would have cost \$34,000 for television, and \$34,942 for radio. There was also some news coverage by the electronic media immediately following the news conference, and there were six talk shows on radio during March.

ATLANTA JOURNAL - 1-21-76

FOR WELFARE CASES

Tax Incentive Lost in Shuffle Getting A Test

By TOM WALKER

Journal Business Editor

Considering the controversy that surrounds public welfare, it's hard to see how any federal tax incentive designed to remove people from welfare rolls could be overlooked — but that's exactly what happened.

Basically, the incentive is designed to encourage employers to hire recipients of Aid to Families With Dependent Children (AFDC), the largest welfare category and one of the most controversial of them all.

But, explains a consultant hired by the U. S. Labor Department to evaluate the effectiveness of the tax incentive, the law is virtually unknown because it has gotten so little attention. According to Frederick Manzara, director of communications for IM-PACT, Inc., of Minneapolis, the incentive was tacked on to the tail end of the Tax Reduction Act of 1975 and simply got lost in the shuffle.

Now that portions of the act are nearing the automatic termination date, the Labor Department has hired IM-PACT to conduct a test campaign in four cities to see if a remedy can be found. The cities are Atlanta, Minneapolis, Toledo and Houston.

In each of these communities, the key organization that will take charge of the information campaign is the National Alliance of Businessmen, a group established years ago to promote jobs for the needy and underprivileged.

The objective, says Manzara, is to get the word to both prospective employers and prospective employees that

a job program is available. Here, in essence, is the way the program was designed to work:

— If a company hires a person who has been receiving AFDC for more than 90 days, that employer can claim a tax credit equal to 20 per cent of the cash wages paid that employee in the first 12 months on the job. (A tax credit is a reduction in the taxes owed, not a deduction made before computing taxes.)

— There is a ceiling of \$25,000 on the tax credit, for a single taxable year, plus one-half the excess over \$25,000. But there are carryover and carryback provisions as well.

— The employer must provide a job that results from a vacancy or a new position. The job must meet provisions of federal law, such as minimum wage, health, safety, equal employment opportunity and the rest. The AFDC recipient must receive the same wages and benefits as anyone else similarly employed by that firm.

— In addition to the tax credit, an employer can be reimbursed for the cost of training an employee, and for loss of productivity which occurs during training. Costs associated with physical plant changes that are made to promote on-the-job training can be written off at a faster than normal rate under the law.

According to Manzara, the act is scheduled to expire in July. Employers interested in the program can get more information by calling the NAB in Atlanta at 526-6347.

24-C THE ATLANTA CONSTITUTION, Thur., Jan. 22, 1976

'Red Tape' Stifling Hiring Program?

By KEN WILLIS

A new program that gives tax credits to persons or businesses who hire individuals on welfare is a flop, a local businessman said here this week.

"Unfortunately, this program got buried in Washington's red tape and nobody told us about it," said Alvin Ferst, executive vice president of Itich's and the chairman of the local unit of the National Alliance of Businessmen (NAB).

The local NAB chapter is coordinating a publicity drive that targets Atlanta as one of four cities where the U.S. Labor department is making a special effort to get the word out to employers. The other cities are Houston, Tex., Minneapolis, Minn., and Toledo, Ohio.

Under the tax credit program, provided in the Tax Reduction Act of 1975, a credit on virtually any kind of employment, including domestic work in private homes and temporary or seasonal jobs, is possible.

The employee must have been receiving money under the Aid to Families with Dependent Children (AFDC) program for more than 90 days and must have worked for at least a month.

The credit amounts to 20 per cent of the cash wages paid to eligible employees during their first 12 months. The credits are deducted from the tax itself, not from the gross income.

The job must meet all the

provisions of the minimum wage, health, safety, child labor, work hour and Equal Employment Opportunity laws.

The credit went into effect with the approval of the Tax Reduction Act last March, the same law that provides rebates and lower taxes.

A similar credit has been provided businesses under the Work Incentive Program (WIN) since 1971, but the new legislation reduces the time restrictions and allows for participation of hundreds of persons in the AFDC program who are not eligible for WIN, according to a Labor department spokesman.

A spokesman for NAB said approximately 25,000 unemployed AFDC recipients in Atlanta who are eligible under the credit program.

Letters are being sent to hundreds of employers in the Atlanta area, according to the NAB spokesman. Anyone with questions should call the NAB office at 526-6347.

Table 7 shows that the largest share of the inquiries which came into the NAB office resulted from the direct mailings. The same is true of the job-related inquiries. No phone calls were initiated out of the Atlanta NAB office; and, while several speeches were made, no inquiries came in as a result of them. At this point, it is to be noted that the handling of inquiries by personnel in the Atlanta NAB office was somewhat indifferent and reporting was haphazard. As a result, the data in Table 7 probably understate the number of inquiries.

Table 7

Sources of Information on the Tax
Credits by Category of Inquiry in Atlanta

Category Of Inquiry	Total Inquiries		News Articles		Tele- vision		Radio		Acc't Exec.		Mail		Don't Know	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Employer Job Order	7	6.9	0	0	1	33.3	1	12.5	0	0	5	18.5	0	0
Employer Job Interest	6	5.9	1	14.3	0	0	0	0	0	0	4	14.8	1	1.9
AFDC Recipients Wants Work	3	2.9	0	0	2	66.7	0	0	0	0	0	0	1	1.9
Employer Check- ing on Present Employee	7	6.9	2	28.6	0	0	1	12.5	1	33.3	3	11.1	0	0
More General Information	79	77.4	4	57.1	0	0	6	75.0	2	66.7	15	55.6	52	96.3
TOTAL	102	100.0	7	100.0	3	100.0	8	100.0	3	100.0	27	100.0	54	100.1
PERCENT	100.0		6.8		3.0		7.8		3.0		26.4		53.0	

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SUMMARY

In sum, for all four of the demonstration cities, 10 newspaper articles appeared. Also, 16 television stations and 62 radio stations participated in the program in all four of the demonstration cities. The television stations contributed a total of 925 spots with a total dollar value, if purchased, of \$124,780. The radio stations contributed a total of 6,149 spots with a total dollar value of \$148,492. Thus the electronic media contributed time with an aggregated value of \$273,272.

In addition, 67,101 letters were mailed, 10,497 telephone calls were made to employers, and 34 speeches were delivered. In Minneapolis, Toledo, and Atlanta, the mailing to the UI list insured that virtually 100 percent of all of the employers in these cities (employers who contribute to the unemployment insurance funds) were contacted. In Houston, the UI list was not utilized, but it is estimated that the campaign reached approximately 80 percent of the 45,000 employers there.

Table 8 summarizes the sources of the inquiries into the NAB offices in Minneapolis and Houston by category of inquiry. Toledo and Atlanta data are omitted from this part of the description because of the difficulties of breaking down the data available by category of inquiry. The data in Table 8 show that almost one-third of the inquiries received were for job orders or hiring related information, slightly over one-third were requests for further information, about 18 percent were from persons who wanted work, and the remaining inquiries were from employers who were calling to determine the AFDC status of present employees.

Direct mail generated the largest number of inquiries and the largest number of hiring related inquiries. Television generated the next largest number of inquiries, but about half of these were from persons wanting work. Inquiries from all of the other media, except the want ad, were predominantly for further information. About 20 percent of the inquiries were from persons who could not remember where they learned of the tax credit.

Table 8

Sources of Information on the Tax
Credits by Category of Inquiry in Minneapolis and Houston

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Category Of Inquiry	Total Inquiries		News Articles		Tele- vision		Radio		Speech		Want Ad		Acc't Exec.		Phone		Mail		Don't Know	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Employer Job Order	119	19.7	2	8.33	17	11.64	9	20.45	1	12.50	3	50.00	0	0	6	7.89	56	31.46	25	21.55
Employer Job Interest	68	11.3	5	20.83	13	8.90	7	15.90	1	12.50	0	0	1	20.00	12	15.78	19	10.67	10	8.62
AFDC Recipient Wants Work	107	17.7	5	20.83	72	49.31	11	25.00	0	0	2	33.33	1	20.00	0	0	3	1.68	13	11.20
Employer Check- ing on Present Employee	102	16.9	1	4.16	12	8.21	2	4.54	0	0	0	0	1	20.00	2	2.63	53	29.77	31	26.72
More General Information	207	34.4	11	45.83	32	21.91	15	34.09	6	75.00	1	16.66	2	40.00	56	73.68	47	26.40	37	31.89
TOTAL	603	100.0	24		146		44		8		6		5		76		178		116	
PERCENT	100.0		4.0		24.2		7.3		1.3		1.0		0.8		12.6		29.6		19.2	

PROGRAM RESULTS

The previous section of this report summarizes the campaign activities in each of the demonstration cities, and includes counts of inquiries into the NAB offices for job orders or direct hiring information. The relationships between the numbers of such inquiries and the numbers of WIN job entries and certifications are virtually impossible to track. It is instructive, however, to review the changes in job entries and certifications in these cities.

WIN JOB ENTRIES

Table 9 shows WIN job entries by month for fiscal years 1975 and 1976 in Minneapolis. It appears that the information campaign did not take full effect until February, which was right after the mass mailing to firms on the unemployment insurance list. While inquiries from this mailing continued to come into the NAB office for many months after this mailing, they tapered significantly in June. Therefore, the period of February through May is used for comparison purposes. Table 9 shows that job entries in Minneapolis increased about 75 percent in 1976 compared to 1975. The increase for the nation as a whole was 52 percent.

Table 10 shows this same information for Houston, where job entries increased by 112 percent for the period, compared with 52 percent for the nation.

Table 11 shows this same information for Toledo, but the period of March through June is selected for purposes of comparison because the mass mailing did not go out in Toledo until March. During this period, job entries increased 105 percent compared with an increase of 55 percent for the nation as a whole during this same period.

Table 9

Job Entries
Minneapolis
1975-1976

	1975 ^a	1976 ^b	ABS CHG	% CHG	
Jul	119	69	-50	-42.0	
Aug	95	156	61	64.2	
Sep	133	162	29	21.8	
Oct	127	166	39	30.7	
Nov	142	129	-13	-9.2	
Dec	81	108	27	33.3	
Jan	125	101	-24	-19.2	
Feb	101	174	73	72.3	)
Mar	118	243	125	105.9	)
Apr	127	195	68	53.5	)
May	118	198	80	67.8	)
Jun	153	210	57	37.3	
TOTAL FY	1,439	1,911	472	32.8	
TOTAL FEB-MAY	464	810	346	74.6	
US FEB-MAY	55,719	84,865	29,146	52.3	

+74.6%

^a US DOL, Manpower Administration, MA5-98.

^b US DOL, ETA, WIN Interim Tax Report MA5-147.

Table 10
Job Entries
Houston
1975-1976

	1975 ^a	1976 ^b	'ABS CHG	% CHG	
Jul	110	102	-8	-7.3	
Aug	135	101	-34	-25.2	
Sep	121	142	21	17.4	
Oct	104	154	50	48.1	
Nov	52	138	86	165.4	
Dec	48	125	77	160.4	
Jan	74	130	56	75.7	
Feb	57	136	79	138.6	)
Mar	77	176	99	128.6	)
Apr	95	190	95	100.0	) +112.0%
May	88	170	82	93.2	)
Jun	166	138	-28	-16.9	
TOTAL FY	1,127	1 702	575	51.0	
TOTAL FEB-MAY	317	672	355	112.0	
US FEB-MAY	55,719	84,865	29,146	52.3	

^a US DOL, Manpower Administration, MA5-98.

^b US DOL, ETA, WIN Interim Tax Report MA5-147.

Table 11

Job Entries
Toledo
1975-1976

	1975 ^a	1976 ^b	ABS CHG	% CHG	
Jul	46	40	-6	-13.0	
Aug	53	45	-8	-15.1	
Sep	31	25	-6	-19.4	
Oct	39	65	26	66.7	
Nov	17	22	5	29.4	
Dec	30	43	13	43.3	
Jan	7	41	34	485.7	
Feb	29	28	-1	-3.4	
Mar	33	84	51	154.5	+104.5%
Apr	47	38	-9	-19.1	
May	35	35	0	0	
Jun	17	113	96	564.7	
TOTAL FY	384	579	195	50.8	
TOTAL MAR-JUN	132	270	138	104.5	
US MAR-JUN	60,846	94,484	33,638	55.3	

^a US DOL, Manpower Administration, MA5-98.

^b US DOL, ETA, WIN Interim Tax Report MA5-147.

Table 12 shows the same information for Atlanta, where the period of March through June is also selected as the basis for comparison. Here job entries increased 88 percent for the period as compared with an increase of 55 percent for the nation as a whole.

Table 13 summarizes the job entry data for the four test cities, and shows that job entries increased by 95 percent compared with an increase of 54 percent for the nation as a whole. It would seem, then, that the information campaign was responsible, at least in part, for more than doubling the rate of increase in job entries. In fact, if the results of the demonstration project had occurred on a nation-wide scale for the five month period of February through June, the number of job entries would have increased by 59,631 jobs, as compared with the increase of 33,925 actually experienced for the nation during this same period of time.

WIN CERTIFICATIONS

Table 14 shows the change in WIN certifications in Minneapolis. Here the comparison period is taken to be October through May rather than February through May, as is the case for job entries. The reason for selecting this different time period is that many certifications were obtained for persons who were already on the payrolls so the reaction time is faster. That is, an employer who learns about the tax credit could scan his payrolls immediately and obtain a certification, whereas the hiring of a new employee from the WIN client pool would take somewhat longer on the average.

Table 14 shows that certifications increased by 120 percent in Minneapolis, compared with an increase of 46 percent for the nation as a whole.

Table 12

Job Entries
Atlanta
1975-1976

	1975 ^a	1976 ^b	ABS CHG	CHG	
Jul	64	61	-3	-4.7	
Aug	64	75	11	17.2	
Sep	71	75	4	5.6	
Oct	70	72	2	2.9	
Nov	61	64	3	4.9	
Dec	52	46	-6	11.5	
Jan	25	60	35	140.0	
Feb	37	40	3	8.1	
Mar	41	79	38	92.7	)
Apr	44	73	29	65.9	)
May	48	89	41	85.4	)
Jun	44	92	48	109.1	)
TOTAL FY	621	826	205	33.0	
TOTAL MAR-JUN	177	333	156	88.1	
US MAR-JUN	60,846	94,484	33,638	55.3	

+ 88.1%

^a US DOL, Manpower Administration, MA5-98.

^b US DOL, ETA, WIN Interim Tax Report MA5-147.

Table 13
 Aggregate Changes in
 Job Entries in
 Demonstration Cities

	1975	1976	ABS CHG	% CHG
MPLS (FEB-MAY)	464	810	346	74.6
HOUSTON (FEB-MAY)	317	672	355	112.0
TOLEDO (MAR-JUNE)	132	270	138	104.5
ATLANTA (MAR-JUNE)	177	333	156	88.1
	1050	2085	1035	94.8
US (FEB-JUNE)	62,769	96,694	33,925	54.0

Table 14

WIN Certifications^a
 Minneapolis
 1975-1976

	1975	1976	ABS CHG	% CHG	
Jul	14	19	5	35.7	
Aug	18	12	-6	-33.3	
Sep	14	10	-4	-28.6	
Oct	11	18	7	63.6	)
Nov	18	9	-9	-50.0	)
Dec	1	14	13	1,300.0	)
Jan	8	33	25	312.5	)
Feb	12	20	8	66.7	)
Mar	11	37	26	236.4	)
Apr	18	43	25	138.9	)
May	15	33	18	120.0	)
Jun	17	22	5	29.4	
TOTAL FY	157	270	113	72.0	
TOTAL OCT-MAY	94	207	113	120.2	
US NOV-MAY ^b	13,735	20,055	6,320	46.0	

^a From actual count of Tax Credit Certification Forms.

^b Report 11, MA5-98 Summaries. Data for October for FY 1976 are not available. The data available aggregates July, August, September and October. In 1975 there were 8,546 WIN certifications issued for these months, while in 1976 there were 9,178. It seems reasonable to expect that the omission of October data makes little difference in the percentage change in certifications issued from 1975 to 1976.

Table 15 shows these same data for Houston, where certifications increased 96 percent compared with 46 percent for the nation as a whole.

Table 16 shows that certifications increased 90 percent in Toledo compared with 45 percent for the nation as a whole. Table 17 shows that certifications increased 75 percent in Atlanta, compared with 58 percent for the nation as a whole. The certifications in Atlanta are too few, however, to be meaningful.

Table 18 summarizes the changes in certifications in the test cities, and shows that they increased by 100 percent as compared with an increase of 45 percent for the nation as a whole. Again, it appears that the increase in certifications in the test cities was more than double that experienced in the nation as whole. If these results were to occur nation-wide for the eight-month period of November through June, the number of tax credit certifications would have been increased by 16,183 certifications, as compared with the increase of 7,290 actually experienced for the nation during this same period of time.

SUMMARY

The test cities experienced an increase in job entries of 95 percent compared with an increase of 54 percent for the nation as a whole. They experienced an increase in certifications of 100 percent compared with an increase of 45 percent for the nation as a whole. It is, perhaps, likely that there were other factors at work in the test cities which may have contributed to these increases, but it is certain that the information campaign had a substantial positive effect.

Table 15
WIN Certifications^a
Houston
1975-1976

	1975	1976	ABS CHG	% CHG	
Jul	22	14	-8	-36.4	
Aug	17	25	8	47.1	
Sep	9	32	23	255.6	
Oct	22	27	5	22.7	)
Nov	21	32	11	52.4	)
Dec	4	63	59	1,475.0	)
Jan	6	53	47	783.3	)
Feb	15	43	28	186.7	) 95.8%
Mar	21	34	13	61.9	)
Apr	47	29	-18	-38.3	)
May	32	48	16	50.0	)
Jun	27	49	22	81.5	
TOTAL FY	243	449	206	84.8	
TOTAL OCT-MAY	168	329	161	95.8	
US NOV-MAY ^b	13,735	20,055	6,320	46.0	

^a From actual count of Tax Credit Certification Forms.

^b Report 11, MA5-98 Summaries.

Table 16
WIN Certifications^a
Toledo
1975-1976

	1975	1976	ABS CHG	% CHG	
Jul	62	0	-62	-100.0	
Aug	23	8	-15	-65.2	
Sep	33	0	-33	-100.0	
Oct	19	14	-5	-26.3	
Nov	19	42	23	121.1	)
Dec	18	18	0	0	)
Jan	14	64	50	357.1	)
Feb	0	10	10	1000.0	)
Mar	6	1	-5	-83.3	) +89.6%
Apr	30	11	-19	-63.3	)
May	2	13	11	550.0	)
Jun	7	23	16	228.6	)
TOTAL FY	233	204	-29	-12.4	
TOTAL NOV-JUN	96	182	86	89.6	
US NOV-JUN ^b	16,183	23,473	7,290	45.0	

^a From actual count of Tax Credit Certification Forms.

^b Report 11, MA5-98 Summaries.

Table 17
WIN Certifications^a
Atlanta
1975-1976

	1975	1976	ABS CHG	% CHG	
Jul	7	0	-7		
Aug	4	0	-4		
Sep	4	0	-4		
Oct	5	3	-2		
Nov	1	0	-1		
Dec	1	1	0		
Jan	0	0	0		
Feb	2	0	-2		)
Mar	0	9	9		)
Apr	0	5	5		)
May	5	0	-5		)
Jun	1	0	-1		)
TOTAL FY	30	18	-12	-40.0	
TOTAL FEB-JUN	8	14	6	75.0	
US FEB-JUN ^b	10,182	16,102	5,920	58.1	+75.0%

^a Information Provided by Atlanta WIN Office by telephone.

^b Report 11, MA5-98 Summaries.

Table 18
 Aggregate Changes in
 Certifications in
 Demonstration Cities

	1975	1976	ABS CHG	% CHG
MPLS (OCT-MAY)	94	207	113	120.2
HOUSTON (OCT-MAY)	168	329	161	95.8
TOLEDO (NOV-JUNE)	96	182	86	89.6
ATLANTA (FEB-JUNE)	8	14	6	75.0
	366	732	366	100.0
US (NOV-JUNE)	16,183	23,473	7,290	45.0

APPENDIX E

ORGANIZATIONAL IMPEDIMENTS WITHIN THE FIRM
TO THE USE OF THE EMPLOYMENT TAX CREDITS

PREFACE

The idea for this study occurred during the early stages of a comprehensive study to evaluate the effects of the WIN and welfare tax credits. One of the components of the study was a public information campaign in four trial cities, to inform employers of the existence of employment tax credits. It soon became evident that informing employers was only one element in a rather complicated chain of events which must occur in order for the availability of the tax credit to result in the hiring of an AFDC recipient. Because several persons in the employing firm are typically involved in this chain of events, emphasis was placed upon the internal communications and decision-making processes in the firm. It seemed reasonable to assume that breakdowns in these processes within the firm might prevent the tax credit from being utilized even if someone in the firm learned about the tax credit and wanted to use it.

Group interviews were held with 56 persons representing 38 employers in order to gain some insight into the internal processes associated with a decision to utilize the tax credit, and the processes by which such a decision is actually implemented. All of the interviews were taped and transcribed. Excerpts from the tapes were selected on the basis of a judgment by the author that they best illustrate certain aspects of the processes under scrutiny. The intent was to develop a coherent description of the processes rather than to tabulate responses and treat them using quantitative methods. Therefore, some of the excerpts represent many verbalizations of the same idea, while some of them may have been voiced only once.

It is emphasized at this point that the comments made by the participants in the group interviews were offered in order to bring the benefits of their experiences to the discussion, and to extend and expand the understanding of the issues involved in the use of the employment tax credits. Their statements were in no way intended to represent the official policies of their respective firms, and are not represented as such in this report, and are not to be interpreted as such by the reader.

Given the relatively small number of persons interviewed and the "softness" of the data obtained, it may be surprising that recommendations are offered. Certainly the recommendations cannot be based on data amenable to statistical validation. In the main, the recommendations suggest devices for bridging gaps in the usual decision processes in the firm and do not treat the number of times the gaps must be bridged, or the strength of the bridges. This is not to say that these latter concerns are unimportant, but only to emphasize that they, along with others of a similar nature, can only emerge after the gaps to be bridged, or the impediments to be circumvented, have been identified. The burden of this analysis is to identify those impediments obstructing employers' use of the employment tax credits.

Among the many Department of Labor, Employment and Training Administration staff who contributed to the study, the author wishes especially to thank Mr. Merwin Hans for his help and encouragement and to acknowledge the contributions of Mr. Jack Newman who patiently and meticulously discussed many of the ideas which emerged and helped to bring them into clearer perspective. To Mr. Robert Callaghan, Metropolitan Director of the Minneapolis Office of the National Alliance of Businessmen, goes a large measure of gratitude for his help in conducting many of the seminars and group interviews. Thanks also go to Mr. David Thompson for his many insightful suggestions and corrections. Finally, the generous contributions of time and thought rendered by the participants in the employer group interviews are deeply appreciated. Any errors in interpretation or exposition, however, are the sole responsibility of the author.

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Introduction

Providing help to those persons who are unable to secure their own financial needs is a well-established policy for governments at all levels in the United States. Among the programs implemented to this end are various public assistance or welfare programs, including Aid to Families with Dependent Children (AFDC). But increased numbers of persons on AFDC lead to increased costs of public assistance, losses in tax revenues, and myriad deleterious impacts, actual and assumed, on the well-being of those receiving such aid. The trend in the numbers of persons receiving AFDC subsidies, if continued, has grave implications for the health of the national economy. Therefore, reversing, or at least stabilizing, the numbers of persons on welfare has become an objective of national policy.

Among the solutions being implemented are programs to find jobs for those receiving Aid to Families with Dependent Children (AFDC) who are judged to be capable of working. A major effort toward this objective was launched in 1968 with the establishment of the Work Incentive (WIN) program. This program, with some changes, exists at present and provides services to AFDC recipients registered with WIN to help them to prepare for work or to find work. In 1971, a tax credit incentive was offered to those employers who would hire WIN clients, thus providing the WIN program staff with an additional tool to use in developing jobs for their clients.

The basic stipulations for claiming the tax credit are as follows: 1) that WIN registrants be employed in substantially full-time positions for 12 months (not necessarily consecutive, but within a 24 month period) during which time 20 percent of their gross wages may be claimed as a tax credit; 2) the maximum amount claimed in any one year is \$25,000 plus 50 percent of the amount of the tax liability in excess of \$25,000; and 3) a retention provision provides for an additional 12 months of employment for the WIN employee after the credit is vested. There is a recapture provision in the event employment is terminated earlier, except "for cause". There is also provision for a three-year carry back and seven-year carry forward.

In order to insure that the hiring of a WIN registrant qualifies him for the tax credit, the employer must certify: 1) that no reduction in non-overtime hours, wages or employment benefits has occurred or is expected to occur for workers currently employed by the above-named employer-applicant which can be related to the employment of the above-named WIN PARTICIPANT; 2) that no employees are in layoff status awaiting recall for positions to be filled by the WIN PARTICIPANTS; 3) that the vacancy to be filled by the WIN PARTICIPANT is not the result of a strike or lockout in the course of a labor dispute; 4) the wage paid is no less than any applicable Federal, State or local minimum wage, or the wage paid to other employees of the employer for similar jobs,

whichever is higher; 5) all provisions of applicable Federal, State and local health, safety, child labor and work hours laws and regulations are met; 6) the WIN PARTICIPANT will be afforded the same employee benefits including opportunities for training and advancement as others similarly employed in the same establishment; 7) all applicable Federal and State workmen's compensation or other laws pertaining to compensation for illness or injury are complied with.

The WIN tax credit became available to employers in 1972. In 1974 the number of WIN job entries peaked at 177,271, and the number of tax credit certifications obtained by employers also peaked at 39,788. If each employer had one certification, the maximum number of employers would be about 40,000. A more reasonable estimate would put the number closer to 30,000 employers. It is apparent that an extremely small percentage of the firms in the nation are taking advantage of the employment tax credit, and it appears that the numbers are declining. Also, it is surprising to find that tax credit certifications were obtained for only about 22 percent of the job entries.

In March of 1975, as part of the Tax Reduction Act, another employment tax credit was made available. This tax credit, known as the welfare tax credit, expands the concept of the WIN tax credit to cover employers of any AFDC recipient whether registered with WIN or not. The basic requirements are as follows: 1) the applicant must have received AFDC assistance for 90 days prior to hire, and 2) the applicant must be employed in a substantially full-time job for 30 days or more. The welfare tax credit may be claimed for up to 12 months of employment. The welfare tax credit, like the WIN credit, is 20 percent of the gross wages paid to the AFDC employee and is limited to \$25,000. The welfare tax credit, unlike the WIN tax credit, is available to private employers, i.e., it covers domestic help. The maximum amount that may be claimed by private employers is 20 percent of the gross wages up to \$1,000 per year.

The welfare tax credit became available in March of 1975, and expired in July of 1976. During the time that it was in effect, fewer than 1,000 tax credit certifications were issued. It seems incongruous that these tax credit programs which appear to have such easily attainable benefits to business are not only little used, but once used by a firm, very often are not continued.

In an effort to render the employment tax credits more appealing to employers, certain changes were introduced as part of the Tax Revision Act of 1976. One change reduced the retention period for the WIN tax credit from 24 months to 180 days. The new law stipulates that an employer has earned the WIN tax credit after 90 days of employment, and that the tax credit claimed is no longer subject to recapture if the employee is retained an additional 90 days. The second change raised the dollar amount which could be claimed by a taxpayer from \$25,000 per year plus 50 percent of his remaining tax liability to \$50,000 plus 50 percent

of his remaining tax liability. A third change extended the welfare tax credit to 1980 and permits the WIN offices to issue certifications for welfare tax credit employees. Previously, the local WIN offices were authorized to issue certifications only for WIN tax credit employees. The fourth change permits an employer to retain the tax credits earned if he terminates an employee because of a downturn in his business. Previously, such a termination was not considered to be ample cause. Finally, a clause was added stating that the welfare tax credit could be claimed only for the first 12 months of employment. The original welfare tax credit was enacted for a period of 16 months, and there was no statement concerning the number of months of wages for which the tax credit could be taken. The employer group interviews were conducted prior to the enactment of these changes, so no direct responses to them appear in the transcripts. Nevertheless, some of the changes appear to at least partially overcome some of the objections to the use of the tax credits, and where this is true, it is noted at the appropriate point in the discussion.

The concept of a tax credit as an instrument to help to achieve national policy objectives has some precedent in the investment tax credit, the foreign investment tax credit, and other governmental subsidies. The rationale underlying the employment tax credit is that private business firms are capable of solving a large part of the welfare cost problem by providing jobs for AFDC recipients, given the proper incentives. It is also assumed that the tax credit approach will result in minimal distortion to the economy and be cost effective. The expectation is that public policy objectives are to be met through the exercise of the decision processes in private firms, largely uncontaminated by governmental fiat. The processes and procedures associated with decision making in the firm are to be influenced by appropriate financial incentives rather than by the imposition of penalties or other costs.

While there is little disagreement concerning the validity of the goal, and there is some precedent for reaching it by providing incentives to the private sector, the fact is that the employment tax credits have not been utilized by employers to the extent necessary to make significant reductions in the numbers of persons receiving AFDC subsidies.

The Purposes of this Study

Numerous hypotheses have been advanced to explain why more employers do not utilize the employment tax credit programs. Among them are: employers do not know about the availability of the tax credit, and so cannot be expected to use it; the quality of the labor pool is so low that employers are reluctant to hire from it; the 20 percent tax credit is inadequate to provide incentive to the employers to participate. This list could be greatly expanded, of course, and there is probably some validity to each of the hypotheses which comprise it.

Whatever the reasons that employers do not make more use of the tax credit programs, additional complications are probably introduced because of the numbers of persons in the firm involved in the decision process regarding the use of the programs. Accordingly, the purposes of this study are to:

1. Determine how a decision is made in a firm to use or not use the employment tax credits;
2. Examine the procedures used by firms to implement the employment tax credits if an affirmative decision is made;
3. Identify those aspects of the legislation which complicate those procedures or make them more expensive to accomplish; and
4. Recommend changes which will make the tax credits easier to use.

No attempt is made here to determine what, if any, contribution the tax credits may make to a resolution of the general problem of unemployment; whether the tax credits are effective means of getting people off of welfare and into jobs; or whether the tax credits claims by employers reduce federal tax revenues below whatever welfare savings are generated. The sole concern of this work is to suggest ways of increasing the utilization of the tax credits by employers.¹

The hypothesis examined in this study is that an examination of the decision processes and internal implementation procedures used by firms in order to claim the tax credits will permit a more careful definition of internal impediments to the use of the tax credits. Once these impediments are defined, it should be possible to suggest remedies.

¹ IMPACT is currently conducting a comprehensive study to assess the effects of the WIN and welfare employment tax credits. Among the objectives of this study are: to describe the differences in the use of these two tax credits by employers, to assess the incentive value of these tax credits to stimulate the employment of persons on welfare, to compare the savings to the federal government generated by such employment with the costs to the government in terms of foregone business income tax revenues, and to recommend changes in the legislation or the administration of it to increase the appeal of the tax credits and to improve the cost/benefit ratio.

Methodology

The method used to generate the required data was the group interview. Inasmuch as several departments of a firm may be involved in the decision process, the implementation procedures, or both, interviews were designed to include people from personnel, accounting, taxation, administration and supervision. In some cases the participating group included only persons from one firm; in other cases several firms were involved in the interviews. This method permits a more careful analysis of the flow of communications in the firm with fewer interviews than is possible by interviewing individuals in the firm separately. In some cases, however, it was necessary to talk to others in the firm who were not present at the interview in order to gain a better understanding of the decision process.

This method enables a detailed questioning to search for testable hypotheses relating to the objectives, and to provide avenues of exploration which might shed light on the problems. The participants do not represent a statistically defensible sample, and any generalization which may be made on the basis of the data obtained cannot be projected for larger groups. Though this method cannot yield conclusive answers, it can generate some promising suggestions.

Sixteen meetings were held with personnel from 18 small firms (under 1,000 employees) and 20 large firms in various industries. Of the 38 firms represented, 17 are manufacturers, 8 retailers, 3 hospitals, 3 law firms, 2 insurance companies, 2 public utilities, 1 wholesaler, 1 bank, and 1 provides janitorial services. Of the 38 firms, 22 have hired WIN clients and 16 have not. One of the hospitals is a non-profit corporation.

A total of 56 persons attended the various meetings; 4 from top administration, 35 from personnel, 8 from accounting and control, 4 from the tax departments, 2 from line supervision, and 3 were independent attorneys. The firms in attendance are listed on the following pages, along with qualifying characteristics.

Innumerable telephone calls were made to those in attendance and to others in their firms in order to get further information on important points. Calls were also made to the persons in charge of preparing the tax returns at all of the firms which had personnel in attendance at the meetings to determine whether they had filed for the employment tax credits and whether they had any of the claims recomputed or recaptured. Finally, many calls were made to accounting firms, U.S. Internal Revenue Services offices, the Minnesota State Department of Human Rights, and various other agencies in order to gain greater insights into some of the problems which surfaced at the meetings.

Employer Group Interviews

<u>Meeting Number</u>	<u>Name of Participating Firm</u>	<u>Type of Business</u>	<u>U.S. Employment 1976</u>	<u>Obtained T.C. Certification</u>	<u>Date of Interview</u>	<u>City</u>
1.	Northwestern Bell Telephone Company	Public Utility	27,899	Yes	10-11-75	Minneapolis
	Pillsbury Company	Food Products Manufacturer	6,534	No	10-11-75	Minneapolis
	Minneapolis Electric Steel, Incorporated	Metal Products Manufacturer	520	Yes	10-11-75	Minneapolis
	Northern States Power Company	Public Utility	6,928	Yes	10-11-75	Minneapolis
	Prudential Insurance Company	Insurance	60,614	Yes	10-11-75	Minneapolis
	Gamble-Robinson	Food Wholesaler	150	Yes	10-11-75	Minneapolis
	Metropolitan Medical Center	Medical Services	2,000	Yes	10-11-75	Minneapolis
2.	Northwestern National Life Insurance Co.	Insurance	600	Yes	3-9-76	Minneapolis
3.	Peavey Company	Grain Processing	4,600	Yes	3-11-76	Minneapolis
4.	Honeywell, Incorporated	Computers & Control System Manufacturer	50,000	No	3-31-76	Minneapolis
5.	Powers Department Store	Retailing	2,000	Yes	4-1-76	Minneapolis
	Donaldson's Department Store	Retailing	2,400	Yes	4-1-76	Minneapolis
	General Mills, Incorporated	Food Products Manufacturer	32,000	Yes	4-2-76	Minneapolis
7.	Leonard's Department Store	Retailing	200	Yes	4-27-76	Houston
	J.C. Penney Department Store	Retailing	N/A	No	4-27-76	Houston
8.	First City National Bank of Houston	Banking	1,400	No	4-27-76	Houston
	Marathon Manufacturing Company	Drilling Equipment Manufacturer	200	No	4-27-76	Houston
9.	Spring Branch Hospital	Medical Services	525	No	4-28-76	Houston
	North Shore Medical Plaza	Medical Services	350	No	4-28-76	Houston
	Dresser Industries	Diversified Manufacturer	51,000	Yes	4-28-76	Houston

Employer Group Interviews, Continued

<u>Meeting Number</u>	<u>Name of Participating Firm</u>	<u>Type of Business</u>	<u>U.S. Employ- ment 1976</u>	<u>Obtained T.C. Cer- tifica- tion</u>	<u>Date of Inter- view</u>	<u>City</u>
10.	MTS Systems, Incorporated	Engineering Testing Equip- ment Manufacturer	370	No	5-12-76	Minneapolis
	Minnesota Rubber Company	Rubber Products Manufacturer	625	Yes	5-12-76	Minneapolis
	Valspar Corporation	Paint Manufacturer	1,000	No	5-12-76	Minneapolis
	Medtronic, Incor- porated	Medical Devices Manufacturer	2,200	No	5-12-76	Minneapolis
	LaMaur, Incorporated	Cosmetics Manufacturer	450	Yes	5-12-76	Minneapolis
11.	Dayton's Department Stores	Retailing	12,000	Yes	5-18-76	Minneapolis
12.	Young Quinlan, Incorporated	Retailing	358	No	5-28-76	Minneapolis
	La Belle's (Modern Merchandising)	Retailing	3,000	No	5-28-76	Minneapolis
13.	Tax Attorneys	Legal Counsel	N/A	No	6-14-76	Minneapolis
14.	K-P Manufacturing, Incorporated	Metal Products Manufacturer	250	Yes	6-15-76	Minneapolis
15.	Practical Building Maintenance	Janitorial Services	60	Yes	8-27-76	Minneapolis
16.	Twin City Bottling Company	Container Manufacturer	150	Yes	12-21-76	Minneapolis
	Tonka Toys	Toy Manufacturer	5,000	Yes	12-21-76	Minneapolis
	Pako Corporation	Photo Equipment Manufacturer	1,000	Yes	12-21-76	Minneapolis
	Control Data Corporation	Computer Manufacturer	25,000	No	12-21-76	Minneapolis
	Fingerhut Corpor- ation	Retail Mail Order	2,500	No	12-21-76	Minneapolis

Attitudes Toward Welfare Recipients

There are very strong biases against welfare recipients in firms of all sizes and natures, and in all departments within the firms. Although this may be common knowledge, it is important to emphasize this finding at the beginning of this report because these attitudes permeate the discussion of the employment tax credits and influence the answers to questions and the direction of the discussions. These attitudes translate into presumptions of low productivity, unreliability, and high risk associated with the hiring of persons on welfare.

Northwestern National Life Personnel

We haven't gone back and counted months of service, but I'd be willing to bet you dollars to donuts that our turnover rate among people who have not been in the labor force but who have been on AFDC or other welfare programs is one hell of a lot higher than for people who have moved down here from NSP or the Public Library or any other employer. One reason we haven't been very aggressive about pursuing this tax credit is that we know the turnover is high.

This kind of commentary is typical, and, of course, there are enough instances in fact to reinforce the attitude revealed, though no formal studies by companies were cited which compare turnover, absenteeism, et cetera, of welfare recipients with these factors for other employees.

Modern Merchandising Personnel

You know when you hire a welfare person, that person, on an average, is going to be more turnover prone than a non-welfare person because that person has got some problems. That's why they're on welfare. They are related, whether they are drinking (problems) domestic, or financial, whatever it is. That person is going to be more turnover prone than a non-welfare person.

Interviewer

Do you have any data on that?

Modern Merchandising Personnel

No, only twenty years of employment experience.

One retail chain store had hired 37 WIN clients, and the controller was asked by the personnel manager of another retail chain store,

"Have you experienced any theft or that sort of thing?"

"We had to release two people out of 37."

At this point participants are looking at each other knowingly and the interviewer asked,

"Is that a higher percentage than your average?"

"It's lower."

But the question had to be asked because there was a presumption that it was higher. Perhaps the underlying bias is best stated in the following excerpt.

Young Quinlan Personnel

Well I'm sure that it's all psychological. Some of the candidates I have talked to have decided to be career welfare people. I haven't really been in that close a touch with some of the other elements (who want to work).

It is true that many instances were recalled where the welfare recipient had performed as well as or better than average, but the attitudes of interview participants toward the welfare system and welfare recipients are preponderantly negative. As a result, the decision to employ welfare recipients is perceived as fraught with risk, and this influences the decision process. Another result is that information regarding welfare status is regarded as highly confidential and is not circulated freely. This means that very often this information is unavailable to decision makers. When the person making the hiring decision does not know the welfare status of the applicant, the tax credit cannot function as a hiring incentive.

There is a perceived risk in hiring welfare recipients, and the risk is heightened because of the inter-relationships of personnel and work processes in the firm. Even entry-level jobs support other, more costly functions, and a lack of productivity at the entry level might be expensive in terms of dollars, time and frustrations. The people in the firm who are responsible for hiring are often unwilling to bear the extra risks.

Interviewer

How could we reduce some of these risks that you perceive?

Honeywell Personnel

I don't think that we are going to reduce the risks. You don't have the disadvantaged coming in for your high-level marketing jobs or accounting jobs or engineering jobs or whatever. You have them coming in for the clerical, the typists; they're low level, they're low paid. They are working with and servicing a lot higher level, higher paid people. The risk is, always, that if they don't do the job, then this guy can't do his job. That gets pretty expensive.

Interviewer

So when you put these people into a job, they activate a much more expensive team somewhere; so that failure at that level could cost you a lot of bucks per hour.

Honeywell Personnel

In many cases it's not really dollars, it's embarrassment and tension.

These effects weaken the performances of not only the line supervisors, but of the personnel officers in turn. The net result is that a decision to hire less than the best qualified worker is subject to review and comment in a number of places in the firm. The personnel officer and the supervisor are judged on the basis of performance in their departments, not on the basis of a corporate tax credit, so they will not usually increase their risks of hiring an unproductive worker. This is particularly true when there is no commensurate potential reward for taking the risk. They can be hurt if they get into trouble with the program, but they cannot benefit directly if the program works well.

General Mills Personnel

But the point is that the manager who's hiring employees doesn't see the \$1000 coming off his budget. It comes off in corporate taxes, so the manager really doesn't get a thing.

He doesn't care where the people come from as long as they're qualified to do the job.

If you're talking about hiring a file clerk for a manager who's probably making \$10,000 or \$12,000 a year, he really doesn't care about that tax credit that he never sees. If he doesn't get his job done, he's in a whole lot of trouble and he's liable to be applying for the WIN program himself.

Also,

Interviewer

Without posing a direct question [to the applicant] you can probably find out [if the applicant is on welfare].

First City National Bank Personnel

Maybe, okay, you know there are ways. What I'm saying is that this money that we would be getting back is not enough for me to take a chance on a lawsuit. The Bank never wins anything in a lawsuit!

Biases against welfare recipients impede the incentive value of the tax credits because information on the welfare status of an applicant is rarely conveyed any farther than is absolutely necessary. In other words, it is regarded as confidential information and is treated as such. Even when personnel knows of the welfare status of a job applicant, this information is often not relayed to the manager or supervisor who makes the actual hire.

Interviewer

Would you think that it would be necessary to inform the supervisor or the manager who put in the job order that this applicant is on welfare?

First City National Bank Personnel

No. In fact, I wouldn't.

I see no reason for me to tell them that that person is on welfare.

And again,

Interviewer

Do you know whether there are any people working for you now who have been or are now on welfare?

Northwestern National Life Insurance Manager of Data Processing

I guess I've heard of one, but really, I don't know. We get very sketchy information from Personnel. When I get an application form there's very little on there.

The bias is so strong that employers are reluctant to seek this information even after the hire.

Interviewer

If you thought that there might be 40, 50, 60 people on your payroll right now that could qualify you for the tax credit after the fact, would you make an attempt to find them?

General Mills Personnel

No. Would I make an attempt in terms of going and asking them?

Interviewer

For finding out somehow. That's one way.

General Mills Personnel

You mean asking them whether or not they're on welfare? No.... I don't think we will ever put anybody in a position, even after they're hired, to ask whether or not you're on welfare.

Interviewer

But that's the intent of the legislation, to give you an advantage for having hired people on welfare.

General Mills Personnel

Okay, so you find out after they are here, and then doesn't that have a disparaging effect upon what attitude you may have in terms of promoting them? I don't think that we would ever want to get into a situation where we start finding this out, for the same reason that we don't ask people about a lot of other things. And I think that we would take the policy [stance] that it's none of our business.

Interviewer

Would you scan your payroll now to see whether there were people on there that qualified?

Young Quinlan Personnel

I would say there would be no problem with respect to the employment of new employees if they were referred out from a source where you would probably know that they were on welfare. But there is no way that you are going to go through your current employees and inquire as to who is on welfare and who is not on welfare. I mean you just don't do those things, no matter if you can save money or not.

Bias takes on many guises, but it usually translates into perceptions of unreliability, poor motivation, poor productivity, and so forth. As a result, it is often considered to be more of a risk to hire a welfare recipient than it is to hire someone not on welfare.

Perceptions of increased risks might not act as a deterrent to the firm to participate in the tax credit program if no changes in internal procedures were required. The fact is, however, that several changes in existing procedures, or introductions of new procedures, are required in order to gain the benefit of the tax credit.

Changes in Procedures Required to Take the Tax Credit.

Each change in existing procedures requires that a decision be made to do so, and that the necessary activities be routinized in the firm. Some of these changes at times may be made within the scope of the authority of one functionary in the firm. At other times, it may be necessary to obtain the concurrence of other functionaries in the firm. The more changes which must be made, and the more persons involved in implementing them, the greater will be the resistance to the change, and the greater the stress on internal communications and controls. Use of the employment tax credit requires some change at each stage of the hiring process.

Initiating the job order. The job order is usually initiated by the manager or supervisor who is responsible for getting the work done, and is forwarded to personnel or acted upon by the initiator. In general, the job order will request specifications which are job-related, and it will rarely specify the source to be used to find applicants. If the supervisor knows about the tax credit and wants to take advantage of it for some reason, he may discuss it with the personnel officer, but there have been no instances of this in the interview data.

Recruitment. It is unusual to rely on one source for applicants, but use of the tax credit involves a heavier reliance on WIN than is typical. If WIN does not come through, other sources must be contacted anyway. In any case, the job must be filled as soon as possible, particularly at the entry level where there is not a long lead-time for filling jobs.

Peavey Personnel

Here's what happens. This mechanism, if it exists between the State Employment Service and WIN, if it does, it follows the course that these things frequently follow. We see somebody from WIN too late. The job is filled. The problem we have from time to time with the State Employment people is that by the time it gets into their process we've already seen people from other sources.

Interviewer

So you'll release that job order to all of your sources simultaneously; that is, the private agencies, the State Employment Services, et cetera.

Peavey Personnel

Standard operating procedure is that it's at the recruitment sources the day we receive the requisition.

The willingness of the personnel officer to change his routine by calling WIN earlier is a personal matter.

Interviewer

When a job order comes through do you have a routine method of contacting sources? Do you contact all sources simultaneously? Among those would be the WIN office? Could you justify calling the WIN office and not the others?

Medtronic Personnel

Well, it's up to the recruiter, I guess. Depending on the type of job it is.

Interviewer

How does the decision to implement this get made in your company? Do you just take it upon yourself to say, okay this is available and we are going to ramrod it?

Medtronic Personnel

Yes.

When the employer has had good experience with WIN he is more likely to contact them for job openings; but where he has not, he is unwilling to keep taking this initiative.

Leonard's Controller

The lady that they have here who operates this WIN program is some super kind of gal. Extremely efficient, very cooperative. She worked very closely with us. Whenever we wanted people screened in to particular areas or for specific functions, she handled that for us. Took that part of the interviewing off our hands. You couldn't have asked for more cooperation.

Interviewer

What's your experience been with WIN follow-up?

General Mills Personnel

Somewhere between slight and none. Or progressively, none and slight.

Interviewer

But do you think you will call the WIN office and say "Send me some more of these folks to interview"?

Young Quinlan Personnel

I have gone to the unemployment bureau on many, many occasions looking for different types of people. Very honestly, I haven't had a damn bit of luck.... Our girls when they are dealing with these situations will try and try and try, and when they don't get any results they begin to forget about it. The comment I get from my girls now is, when I say let's call the unemployment bureau, forget it, just forget it.

In the case of the welfare tax credit there is no way that personnel can actively recruit. They can call WIN, but WIN must make an extra effort to find a registrant who has been on welfare for 90 days. Personnel cannot ask the applicant prior to hire if he is on welfare or not, and this impediment cannot be removed by a policy change in the firm.

Honeywell Personnel

Another problem is that we don't always know when an individual is on AFDC. We can't ask and they don't always tell us unless they are referred to us from a government agency. We cannot ask because it's discriminatory. That does create problems sometimes.

Interviewer

How about that welfare credit as opposed to the WIN credit. Have you used that?

Penney's Personnel

I haven't used it. It's difficult to become aware of people, except in a back-hand manner, that we've hired-- we don't at present, even after hiring, ask the person whether he's on the WIN program or welfare, although there would be no harm in doing that.... Yes, but the position you're putting that employee in, you have to realize that there's a lot of stuff that likes to fly around the store once in a while too. You never know what's going to happen. If somebody asked me that information I'd be a little bit insulted, I suppose.

Screening. In order to get the tax credit into the system, the personnel officer must know that the applicant is qualified. If he knows this, he must record it somewhere. There is no space on the usual application form for AFDC or WIN. Where there is space for the referring agency, ES is as likely to be placed there as WIN, so there has been confusion when the employer requests certification, only to find that the employee is not registered with WIN.

Leonard's Controller

We did hire some people we thought were on the program and found out they were not. They had come from Texas employment, but they were not part of either the labor part of this program or the WIN program. Because they had come from Texas employment we assumed that they were. This was very erroneous on our part 'cause Texas employment marks the cards, when they come to you, very clearly "WIN" in the upper lefthand corner; but some of the store managers in their haste, I guess, just looked at the cards--they were satisfied with the interview so they should have hired the employee anyway, but they didn't get the credit on that particular individual.

Interviewer

Is there a place on their application form or somewhere that says--referred by WIN?

Peavey Personnel

No; well, there is a box on the application that asks who referred you to the company, but I've never seen an application that said--even by the people that are referred by WIN, they simply say the employment service.

If the space for comments is used to identify the referral agency, personnel is not often sure what the risk is of recording this fact on the application. If the person is not hired, it is thought that there may be repercussions.

Interviewer

Without posing a direct question [to the applicant] you can probably find out [if the applicant is on welfare].

First City National Bank Personnel

Maybe, okay, you know there are ways. What I'm saying is that this money that we would be getting back is not enough for me to take a chance on a lawsuit. The Bank never wins anything in a lawsuit!

If there is a record on the application form, or on some other personnel form, this record must be translated to some other system for forwarding to accounting or to the tax division.

When there is no formal record set up, personnel may keep a special file, but this, again, is a personal matter. When this form is sent to the tax department, it may be deemed adequate by the tax department, or it may not be. When it is, the credit will be taken; when it is not, tax department may take no further action.

Interviewer

Would you be responsible for pulling this data together for this particular form?

First City National Controller

Probably so.

Interviewer

Do you see any impediments or problems in this paperwork system that would preclude your using WIN people just because of the complexities of it?

First City National Controller

No, I wouldn't think so. I guess really the problem as far as the controller's department is concerned would be just in setting up codes from the people hired at some point where we can extract information.

Interviewer

Do you have codes now for your affirmative action program?

First City National Controller

Yes.

Interviewer

So it would really be in the same field.

First City National Controller

Yes; and it could be that this information depends on the number of people we would have in this program. Maybe we wouldn't even want to automate it. If there's only fifty people hired, for example, it may be easier to keep a list of the names and just manually extract.

Interviewer

Do you see a problem in this as far as paperwork goes?

Marathon Manufacturing Company Personnel

Frankly, I do not. I would go for a manual system under the circumstances. For instance, under workmen's comp, we have foreign operations which my personnel department is responsible for, among other things; and quarterly we extract all payments for people who work for the company outside of the United States and deduct that from our workmen's compensation cost, which is based strictly on U.S. salary. We have three companies that I'm involved with, and we get computer runs and just extract it manually, and you're not talking about a heck of a lot of expense.

Certification. Obtaining certification is usually a new procedure in the hiring practices. Because the WIN offices will not usually send the first certification unsolicited, a request must be made for it by phone or letter.

Peavey Personnel

Of the people we are now claiming, we have certification....but you have to ask for it.

In those few cases where the first certification is sent by the WIN office without a request, its purpose is often a mystery to the personnel officer. He or she may or may not seek further information regarding its use.

In the case of the welfare tax credit, the employer must seek certification from the Welfare Department. In cases where the WIN office has made the placement, sometimes the WIN job developer will assume the responsibility for obtaining the certification form from welfare and sending it to the employer, or have it sent directly to the employer; but this is very rare.

The certification forms should somehow get to the tax department for documentation of the tax credit. This means that personnel would ordinarily make a copy for its files, and send it on to accounting or taxation. This requires that someone in these departments do something different than was done in the past.

Record Keeping. If a record of qualifying employees is kept manually, and it is kept in a form which the tax department feels is adequate to document the claim, there are usually no further impediments to filing the claim.

Leonard's Controller

Our payroll is not automated. We are one of the very few companies probably left that has a cash payroll in each individual store, and if I mix those people in with a particular store's payroll, I don't have the automated features that I could assign them a code and pull them out for reporting purposes. So it seemed easier on a manual basis just to separate that payroll entirely and have it handled in our central office.

If the record is to be kept through some EDP system, there is the additional problem of coding. The difficulty of doing this coding depends upon the system in use. In general there is adequate space in one of the existing fields (affirmative action status, for example) to make this an easy matter. But because data on hiring dates and current year's WIN wages must be kept, major programming changes may be necessary. When this is the case, it is often judged to be too expensive.

Penney's Personnel

You see, this is what we would have to do. Each store would have to be responsible for all the paperwork because we are automated as far as payroll is concerned. Our payroll is made up in advance and sent out to each individual store. And, if we did participate, each personnel manager in each store would have to handle all of the paperwork, and this then would have to be sent on in to the regional office and the tax department, and they would carry it from there. But I don't know how the company would feel about relying just on a piece of paper from a store without it being coded into the computer in some way.

It may seem that the accounting is identical to that required for producing the W-2 form; but in those cases where the months of eligibility overlap the tax year, an additional routine must be devised to calculate that part of total wages paid which qualify as WIN wages. The mere retention by the accounting or taxation departments of the certification forms is also inadequate because the certification forms have no data on termination, changes in wage rates, or interruptions in employment.

It is therefore necessary to introduce an additional report for purposes of filing the claim for the tax credit, and though this may not be difficult, it does represent a change. The existence of a recapture clause makes it prudent to keep this report up-to-date, and this is an additional task.

There have been no instances where the costs of making the changes required to take advantage of the tax credit have been calculated by employers, and estimates vary widely. Where there is resistance to the tax credit program, the changes are thought to be drastic; where there is no resistance, estimates are likely to be on the low side. That there are additional costs is indisputable; but in the absence of cost analyses, estimates are often tinged with emotional overtones. In addition, where the changes may involve more than one department in the firm, there may be a question of decision authority.

The Locus of Authority

When information regarding the tax credit is received by someone in the firm, a decision must be made to spend some time to try to understand the value of the information to the firm. If this decision is made in the affirmative, the next decision which must be made concerns the routing of subsequent communications and the timing of these communications. Each person in the communication chain must make a decision to allocate the time to understand the message and its implications for the firm. At some point in the communication process, someone with the understanding, the authority, and the motivation to act must be involved.

At this point, a decision which can be implemented may be made. A review of the interview data reveals that it is rare when someone in the firm has all of the enabling conditions necessary to make a decision in favor of using the tax credit. Further, there is nothing in the tax credit program which forces a decision at any given time. Because there is a three-year carry back and a seven-year carry forward of the tax credit, there is no apparent urgency to file. One of the independent tax attorneys interviewed noted that amending a tax return to include previously unclaimed tax credits requires amendment of the entire document, so that it is much easier to claim the credit in the year that it is earned. In telephone interviews, however, one reason given for not claiming the tax credit now is that it is the intent to accumulate them and file later.

It is true that fiscal policies in the firm may dictate saving money wherever possible; but whether a saving is made now or later depends to a great extent on budgets. In other words, the value of a tax credit incentive may be heightened if its use permits the firm to stay in budget for personnel for the period; but there have been no instances where the benefit of the tax credit has been budgeted. As a result, there is usually no risk or penalty for failure to act on the matter of the tax credit. This means that someone in the firm must decide to obtain a decision within a specified period of time, and this initiative may not be the formal responsibility of anyone in the firm. That is, no one may need this tax credit in order to do his job.

Review of the ordinary objectives of the personnel function reveals that it is important for personnel to recruit job applicants that fit the specifications of the job openings, who will accept the position at a rate of pay that the company deems proper, and to accomplish this within the budget provided for the personnel function. In some instances personnel may also have a training objective, but it is complementary to the objective to obtain applicants who fit the job specifications. The employment tax credits do not advance any of the usual personnel objectives.

The objectives of the tax department are to minimize the tax liabilities of the firm by being familiar with all of the methods of doing so and applying them. If the firm has a tax deduction or credit coming, it is important for the tax department to inform top management of the availability of such tax advantages. The tax department may also recommend policy changes which will help to minimize tax liabilities, but usually only in those areas where a specific liability is affected. There are taxes on inventories, for example, so that the tax department may recommend changes in the locations of warehouses located in states with high inventory taxes, or recommend that inventories kept in those states be at the lowest possible levels at the time that assessments are levied. There is, however, no tax on the total wage bill of the firm which might be eased through the use of the employment tax credits.

Top management has a profitability objective, of course, but it is couched in terms of sales revenues minus costs. The employment tax credit may become a consideration to top management if the total wage budget is established on the basis of the reductions in expenses for wages which may be forthcoming as a result of the tax credits. As mentioned above, however, there have been no instances where this has been done. Also, it is unlikely that omission of the benefits of the employment tax credits would render the firm less likely to accomplish its profit objectives because of being less competitive. In other words, if it would be necessary to take advantage of the employment tax credits in order to get costs down to a point where a price advantage in the markets of the firm would be possible, then tax credits would become important. In general, the employment tax credits are too small to be a factor in pricing policies, and, because the tax credits are available only for entry level jobs, it is not likely that they become large enough to be so.

Awareness of the availability of the tax credit occurs first with either personnel or accounting/taxation, so one of these departments may take the initiative. It seems reasonable to expect that the tax department may spearhead the decision, but so far there have been no instances of this. The most that the tax department will do is to inform administration, or in some cases, personnel, that the tax credit is available. But usually there is no follow up and no positive pressure from this department. The accounting department is even less aggressive.

Interviewer [to Assistant Controller]

Is the accounting or financial division the impetus for this kind of a policy? In other words, if you or your department were to say, "We like that tax credit, it reduces our tax liability. Will you [to the Personnel Assistant] find as many of those people as you can?" Is that something that is possible?

Northwestern National Life Assistant Controller

It's possible, but I guess I really don't feel that he, because I made the policy, is probably going to do it. If management made the policy it would be a different matter.

Interviewer [to Personnel Manager]

What would you do?

Northwestern National Life Personnel Manager

We're an affirmative action employer, and we have put people in jobs who maybe fell short of the normal employment criteria that we use. But as far as making an over-all change in employment policy, that's gotta come from my boss.

Northwestern National Life Assistant Controller

This thing has me confused for some reason. Personnel people are used to most of these rules about what you can and cannot do. I guess, as accountant, I get only part of the picture. What does it take for our company to put emphasis on WIN employees? I don't know whether that's discrimination or not.

Interviewer

If you're entitled to the tax credit, and you would say, "Let's try to get more of these", then Personnel has to weave his way through the non-discriminatory hiring practices. And if you were sure that he could do that, OK, you would feel better about emphasizing it. But are you saying that because you are not sure, you wouldn't even be able to address that issue?

Northwestern National Life Assistant Controller

I guess right now, because of my lack of knowledge about what is discriminatory and what is not, my answer would be yes.

When the tax department receives the necessary documentation, it will file for the tax credit. But when the documentation is inadequate, the tax department may not attempt to obtain adequate documentation. This is usually because, at this point, the amount involved is not considered to be worth the effort, the tax department is not usually in a position to dictate that enough WIN people be hired to make the tax credit large enough to be worthwhile, or there may be no urgency because of the carry forward. When the program is first implemented, usually it is done on a trial basis so that only a few people are hired. Of these people, some may not remain with the firm for twelve months, and there may be some question as to whether they have enough hours in to support the tax credit. Thus the entire amount of the credit usually is not large, especially at first.

Personnel may take some positive action; but when it does so, it must obtain authorization from administration, who will clear it with accounting and finance. If the answer is in the affirmative, personnel will contact the WIN office for applicants, and then send them to line supervisors with no special identification. Line supervisors treat them as they would any other candidate.

It is commonly thought by the participants that if the chief executive were to command that the tax credit be used, it would be used.

Interviewer

Suppose that we could write only one letter to one person in this company who would give us an advocate for this program. Who would get that letter?

Northwestern National Life Personnel Manager

You'd probably direct it to the president. It would then filter down to me with a note saying, "What do you think? Do we do this? Why not? Did we save anything last year?"

Also,

Penney's Personnel

I think that if our regional office did agree to follow this program, then I don't feel that our store managers would have any flak about doing it. I mean, I think they would follow along because normally, whatever our corporate decision is, our stores follow it. I don't think that it would be any problem to get a store manager to participate in the program.... Any store manager would be very interested in it, if it had the approval of our corporate headquarters.

Peavey Affirmative Action Administration

The problem is that nobody has really understood it, and the people at the top are the ones that are going to have to say--and all they have to do is understand it. We don't have very much to do with the hiring practices except for policy making in the other facilities around the country.

Administration may deliver a suggestion to personnel to hire welfare recipients in order to take the tax credit, but this is not usually done with any degree of authority. The main reason is that hiring practices are so complex in view of affirmative action and rights of privacy that it is often assumed that all that can be done by personnel is now being done. Then too, the chief executive may not feel entitled to the tax credit.

Interviewer

That would suggest that the merits of the program other than the tax credit would be as important. What you're really trying to accomplish is moving people off of the relief rolls.

Peavey Chief Executive

I don't want to sound idealistic, but I really think that's a fact. I don't think the incentive aspect of this is as important, as either you participate in the program or you don't participate in the program.... Let's put it another way. If they withdrew the tax advantage, I would hate to think that we would lessen our commitment....If you're really trying to contribute to society in this way, if you hire the unemployable, the underprivileged or whatever, should you be asking for a kick-back?...You don't go to the YMCA and say, I want four memberships for my \$10,000 gift. You make a \$10,000 gift and that's it.

The hiring process is so complicated that there is no official, especially in a larger firm, who will mandate that special preference be given to the welfare recipient. All of the regulations regarding hiring practices and employee relations, including union relations, have made personnel a highly specialized area which other officers of the firm are reluctant to supersede.

The same is true of the general area of corporate taxation and relations with the IRS. Finally, the emphasis placed on productivity, especially in pulling out of the recession, has made it very risky for the line supervisor to utilize personnel who may not be as productive

as necessary. Because the benefits of the tax credit do not usually accrue to him or to his department or division, he sees only the risk. In general, the line supervisor doesn't care about the credit; he wants a worker. If he gets a worker, he may not attempt to push the credit because he has done nothing different. He has what he wants, and he may not want to publicize the welfare issue.

Many reasons have been advanced for not using the tax credits, but one major reason which has emerged from the data is that there is usually no officer of the firm who has the information, the authority, and the incentive to implement the program. This is true of the larger firms and many of the smaller ones. Shortened communication channels in the smaller firms in some cases make it easier to implement the tax credit; but even in these there has been only one instance where one person has claimed to be able to or has chosen to get the entire program under way. Even in this case no hires were made because the firm is not hiring anyone now. As a result, the tax credit falls between the chairs, and it is seldom that someone with the incentive and the authority decides to utilize it.

The Incentive Value of the Employment Tax Credits

Comments regarding the adequacy of the 20 percent tax credit range from too much to too little. The chief executive of the Peavey Company, as cited above, implied that the tax credit was a gift. He goes on to say:

I guess since there are real dollars to be saved here, we certainly want to avail ourselves of the opportunity to save those dollars. I don't think the fact that the saving is there is going to stimulate us to participate more than we are at present.

Interviewer [to Personnel Manager]

How much of an incentive would it take for you to really want to go to WIN? Would it take a 50 percent tax credit?

Peavey Personnel Manager

Deliver when we ask for the people! Twenty percent, or whatever the number is [is okay].

Even if the tax credit were to go to 100 percent, there were some reservations about using it because of the costs of providing the work station and supporting systems for the job.

Marathon Personnel

Reimburse us--pay us the whole salary!
Probably 100 percent reimbursement would handle it.

Interviewer

Do you think that would do it?

Marathon Personnel

It might, but you've got to consider when I talk about 100 percent reimbursement I'm also talking about 100 percent reimbursement of fringes and what have you.

Even if the direct labor on the job were to be totally compensated, there would be other costs which would constitute a risk. One firm indicated that the 20 percent tax credit would not even cover the 21 percent fringe benefits their employees received.

General Mills Personnel

The 20 percent tax credit almost equals our benefit rate--almost, not quite. So when you hire somebody at \$5,000 you add another 20 percent on to that to pay for our benefits of 21 percent, so you're getting a 20 percent tax credit on their salary. In effect, what you're doing is hiring somebody without the cost of benefits.

Interviewer

You might have some kind of a situation where the benefit package doesn't come on until they're through with the training program.

General Mills Personnel

Not with ERISA though. They work more than 1,000 hours in a year, they better have it.

Interviewer

Even if they're in a training program?

General Mills Personnel

They are employees.

Such misunderstandings of the impact of the tax credit are common. This would be true if the incentive were a deduction from taxable income; but the value of the tax credit depends upon the rate of taxation for the firm. If it is 48 percent, then the tax credit is worth approximately twice as much as the fringe benefits cost. It is true, however, that the higher the fringe benefits, the less attractive the tax credit is because the credit applies only to cash wages paid.

Whether the tax credit is an incentive or not depends upon many factors, perhaps the most important of which is the matching of the incentive with the risks to be taken at that point in the organization where the risks are taken. The risk is usually at the point where the work must be done.

Northwestern National Insurance Personnel Manager

It's definitely the training kind of problem and we know that we're going to get 50, 60, 70 percent productivity.... And the person who's charged to that

special account doesn't show up on the Department's budget, but she shows up on work measurements. So she still has the problem with her other people saying, "Why do I have to work overtime on a beautiful summer day?" So it does lower her over-all productivity and she's accountable for that. It's definitely a stumbling block to pick one up because the supervisor can get zapped in the end.

In most instances there is no way for the supervisor or manager to benefit from the tax credit.

Interviewer

Is there anything in internal accounting by department that would permit the line supervisor to benefit [from the tax credit]?

Honeywell Tax Accountant

There isn't. I would guess that not one guy in ten would be concerned about that. First of all he's only going to have one or two employees at most. And even if we credited his budget for that tax reduction, he has a half a million dollar budget, and four or five thousand dollars isn't in the noise level.

Interviewer

So from the standpoint of accounting and control there's really no way that the tax credit could be made into an effective incentive?

Honeywell Tax Accountant

I don't think so, at Honeywell at least. We're talking of divisions that have revenues of 50 to 200 million dollars a year. One hundred thousand gets lost in a crack!

But some firms have found ways to filter the benefits of the tax credits to line managers in order to stimulate the hiring of WIN Clients.

Leonard's Controller

The corporation receives the ultimate benefit of the tax credit, and it's a little difficult to get that back to the store level. So what we did was to consolidate these people on one central payroll journal...and we only charged the stores for two-thirds of their salaries.

[The store managers get] a one-third credit on the store wages for those particular [WIN] people.

Penney's Personnel

There's no way we could do that.

Leonard's Controller

It's a very easy accounting.

Our store managers are set up on a bonus program. They get 25 percent of their store's bottom-line profit. So if they're able to reduce their wages a third for every individual they hire off that program, it's putting 25 percent of that one-third in their pockets, if they run a profitable store.

We had a meeting with all of the store managers prior to going into the program. At that point in time we offered them an incentive of two-thirds of the wages being charged to them rather than full wages for the use of those personnel, and they were very prompt to accept that.

Interviewer

How did the store managers react [to the program] prior to the time that they knew you were going to reduce their salary allocations?

Leonard's Controller

We never offered them the WIN people without that additional incentive to hire them. I really can't give you a reaction of what they would have done without it. Probably not a lot, if I had to guess.

Leonard's hired 37 WIN clients recently. Safeway, a large chain of retail grocery stores provides a similar incentive for its store managers.

When the tax credit is taken at the corporate level, its benefits may accrue to top-level managers who are on a bonus system or to shareholders in the form of an extra dividend; but these are weak incentives at those levels. Where profit-sharing is used, the employees may get some addition to their stock or retirement benefits. In larger firms this incentive is also very weak. The tax credit benefit is so widely distributed that it has little impact on the activities of the employees.

Northwestern National Life Personnel

How many thousand of dollars credits for people would we have to have in one year to affect profit-sharing one-tenth of a percent? If we hired 10 people a year, that's \$10,000, does that make any difference in the long run?

Northwestern National Life Tax Division

Let's approach it from one employee. Assume that 20 percent of their annual qualified salary for WIN purposes, gives you \$1,000. This falls on the insurance tax portion at about 40 percent so you save \$400.... It would bump up the total incentive comp plan \$75, based on the past quarter directors' approved incentive comp formula.

Northwestern National EDP Manager

With the off-sets--training time being, let's say, twice as long--there would be a cost that would be off-set by probably overtime or some such, so there would be some off-sets to that \$75.

Northwestern National Life Tax Division

Seventy-five dollars would be the maximum if a person came in at average productivity.

Northwestern National Life Personnel

So, if we hired 20 people a year, is that a sufficient amount to do anything from the bottom line? \$1500 let's say.

Northwestern National Life Tax Division

You're talking about \$1500 to be distributed among a little over 600 employees--you're talking about maybe \$2.50 a person.

In sum, the hiring decision with respect to welfare recipients is associated with high risks. There is usually no one in the firm who feels that his job description contains all of the authority necessary to implement the tax credit, especially in view of the fact that some changes in procedures are required. The benefits of the tax credit usually do not accrue to those who must take the risks. Therefore use of the tax credit is greatly impeded. There are instances where the benefit has been filtered down to those taking the risks, and in these cases, use of the program is greater.

A mismatching of risks and rewards is one aspect of the incentive problem, but the size of the credit is another. It is difficult to assess the incentive value of the tax credit on the basis of the data because the participants were generally loath to say that if the credit were larger they would hire more WIN or welfare clients. On balance, it appears that there are other, more severe barriers to the use of the tax credit, which stem from the fact that those who are responsible for hiring less qualified personnel, perceive the tax credit as a reward for hiring, and they do not get the reward. The persuasive objective of personnel is to hire people who are capable of doing the job in that particular setting, and who will stay.

The Employment Tax Credits and Hiring Objectives

Though many comments were made by participants to the effect that their WIN or welfare employees were working out well, there is still a widespread belief that these are unusual instances. It is usually assumed that those in the WIN labor pool are less productive than the average applicant. Thus, when personnel officers say that they are more interested in qualified candidates than they are in the tax credit, they may be camouflaging a bias, but they make a very convincing case. On the other hand, if they have hired someone who qualifies them to take the tax credit, they will sometimes make an effort to take the tax credit.

Tax credits taken by a firm do not necessarily mean, however, that an effort will be made to hire more persons who will qualify the firm for more tax credits. In some cases, when someone in the firm hears about the availability of the tax credit for the first time, the payroll is scanned in an attempt to recall anyone who might be on board that would qualify the firm for the tax credit. If so, the procedures for certification are followed, and the tax credit is claimed, but no plans are made for further hiring of WIN or welfare applicants.

Honeywell Personnel

In our case, now, I got a list of people we have hired who are on AFDC. There wasn't anything about going out and hiring a bunch of people. We just take the tax credit as long as we feel we have it coming. Get into hiring more people, though; then you're talking a whole new ballgame.

Interviewer

After you're through with this survey of your present employees, do you think that you would make an effort to hire more people on welfare just to get the tax credit?

Honeywell Personnel

No... They're not going to be hired unless they meet the qualifications, regardless of if they are on welfare or not. That's the number one objective always.

This emphasis on finding employees capable of doing the job, with little reference to the availability of the tax credit, permeates the thinking of most personnel officials.

General Mills Personnel

We're really concerned about the quality of a job a person's doing; and the fact they are or are not on welfare, in our opinion, should have no effect on their performance on the job.

Even if we did know, what would we do with it? I don't know what that would do for us other than to document the tax credit. I guess I'm getting back to my original thesis; somehow even knowing this [that the employee is on welfare] we seem not to be sufficiently motivated by the mere existence of the tax credit.

Interviewer

So the tax credits that you've taken so far have just been a fall-out or by-product of your hiring practices?

General Mills Personnel

Yes, at least coincidental.

What we're more interested in is whether or not the employee or potential employee is qualified for the job.

Interviewer

Then the \$1000 tax credit wouldn't really become part of that decision?

General Mills Personnel

No.

And also,

Donaldson's Personnel

It doesn't matter what program the applicant might be with. It depends on the quality of the applicant and the job that we have open. If we can match them both up, we'll hire him.

Modern Merchandising Personnel

We have gone out aggressively to recruit minorities and ex-offenders and what have you, but we don't hire them simply because they are ex-offenders. We hire them because they can meet a need that we have.

The WIN program, of course, attempts to send qualified applicants, so this might not be an impediment. But the WIN office is not the only source of applicants, and employers are reluctant to change their recruitment practices in order to accommodate the WIN program.

General Mills Personnel

We've been sending out these weekly vacancy listings for a long time. It would be interesting to know how many candidates WIN sent out. If they're not responding to these, what can we do about it? There are other sources of candidates in the community and we would not have time to follow up and say, "Hey, we sent this out Thursday. Now it's Tuesday and we haven't heard from you. How come?"

Interviewer

Okay, but right now the way you do it is to release the job order to all of your sources simultaneously. But if this tax credit incentive were something that really turned you on, you might release this thing to WIN, and then four days later release it to all of your other sources.

General Mills Personnel

I'd get creamed!

Interviewer

You mean by your sources?

General Mills Personnel

No, by the managers in this building! They want them today. If they wanted them tomorrow, they'd ask for them tomorrow.

To the extent that a firm claims the tax credit after the hire, and makes no further effort to change its hiring practices in order to put on more WIN or welfare clients, the tax credit is an unearned bonus to the firm for doing what it would have done in the absence of the tax credit. There are instances, of course, where WIN clients are sought because of the availability of the tax credit, so it is not always an unearned bonus. When this occurs, it is usually because someone in the firm took it upon himself to implement the tax credit.

Most firms have designed their hiring practices to get the best qualified candidates for job openings, and they are unwilling to make adaptations to the WIN program without some prodding. In the experiences reviewed, this prodding has usually come from the WIN office.

The Role of the WIN Offices

The WIN offices, being part of State Employment Services, are often confused with Employment Services by employers. When an employer has had a bad experience with ES, he is unlikely to want to contact WIN. When he has had a good experience, or perhaps no experience, he may call the WIN office. In fact, many firms receive their first awareness of the employment tax credits from communications from WIN. In some instances the first communication was from the offices of the National Alliance of Businessmen. In either case, the follow-up call is usually made by a WIN job developer in person.

An Illustrative Case

The personnel officer of a small company in Minneapolis, manufacturing sheet metal products, and employing some 250 persons, received a letter from the National Alliance of Businessmen (NAB) office in Minneapolis containing information on the employment tax credit. Personnel took the information to the plant controller, who talked to the manufacturing supervisor. They decided to learn more and called the Minneapolis WIN office.

The WIN representative made a personal call on the firm, learned their needs, answered their questions, and decided that applicants were available. He told the company people that it would be to the advantage of their firm to write an OJT contract.

To date, some three or four months later, the firm has hired 24 WIN tax credit employees, but as yet, too little time has elapsed to file for the tax credit. They file the OJT reports and have been collecting their reimbursement, but the controller does not remember the sums involved.

A later interview with the controller--the personnel officer had gone to Australia--revealed that the major determinant in their decision to "take a chance" was the sincerity and enthusiasm of the WIN representative. Asked if they would have hired without the OJT contract, the employer said no. Asked if he would have hired without the tax credit, the employer said yes. If they got it, fine; if not, fine. The major concern of this employer was that his union approve of the OJT contract, and that it was clear that he could release WIN tax credit employees at his own discretion. In other words, he wanted to be sure that he was not obligated to keep the WIN tax credit employee for twelve months and twelve more, even if he had to lay off union people with more seniority in order to do so. The WIN representative worked with the company and the union, and helped to resolve questions to the satisfaction of all parties.

Asked if he calls the WIN office to obtain more applicants as needed, the controller indicated this was unnecessary because the WIN representative would call him if he had a qualified applicant. The new personnel officer was called into the meeting to confirm the activity of the WIN office. The personnel officer had found the file, was keeping the OJT records, and was

getting the certification forms from WIN. But she confirmed that no calls were initiated to the WIN office because the WIN office was calling her. At present all parties are satisfied with the OJT contract and the performance of the WIN employees.

This case illustrates the complexity of the fit which must be made when a WIN client is given a job. It also illustrates the importance of the personal contact from the WIN office. Yet even in this situation the personnel officer does not call WIN when she has a job opening, but relies on the initiative of the job developer to keep in contact. It is reasonable to assume that in a high percentage of cases, when the WIN job developer relaxes his attention, the employer will hire a declining number of WIN clients.

Powers Personnel Manager

It was probably half that and half the fact that the WIN people will call me. I get cold calls fairly often; in fact, I had one this morning about possible spots for WIN clients. So some of the job developers are doing their job, too. Right, I've made them aware a little bit of how our organization works and what we're likely to employ, as far as people who put the prices on merchandise, some of the office types of jobs, and so on. They know a little bit of what we're likely to hire, so when they've got a candidate that they feel might be saleable to us they will call. Sometimes I may not have had the opportunity to place an order with them and they may generate additional orders for the WIN program by just calling me about an applicant they've got.

A reliance on the WIN or ES job developer is cited by interviewees quite often.

Penney's Personnel

When I transferred to Texas--to Houston eight years ago, I was formerly from Little Rock and I had spent a lot of time with the Employment Office there, and I had visited the area several times and I knew the people so they knew what kind of applicants I was looking for. All I had to do was pick up the phone and call and say I need someone for this position and these are the requirements and the hours and whatever, you know, and had tremendous luck with people from the Arkansas Employment Agency. But with the Texas Employment Agency, I tried that when I came here and there was just no way, I never went back again and I never called them. Just no way. I went through it one year with them, but could not stand it any longer. It was just absolutely ridiculous.

Northwestern National Life Personnel

Let me address that issue right head on. In the state of Minnesota with our job bank being what it is, the WIN office gets our job listings just as quick as any of the other state employment services. One way to get more of these people into companies, as I see it, is to get these WIN offices staffed with knowledgeable, competent--and I can't stress that enough--knowledgeable, competent placement specialists.

Donaldson's Personnel

Then again, if it's somebody that you have at least--when you get a call from a fee agency, it's somebody who's trying to sell you something; you don't know the quality of the product and you know they don't know a thing about your organization. If there were some relationship developed, or at least initiated, on the WIN part where employers would be more predisposed at least to take the time to listen, I think that would be better. The employment service people, the WIN people, ought to be able to--they're not out there trying to get their fees and so on. They ought to be able to have a little bit different approach, I think. I think what you're saying is true with an employer. When a WIN person calls I know there's a possibility that I've got two things to gain. One is an employee and the other is the tax credit. When somebody from a fee agency calls, I don't know.

It is safe to say that the employment tax credits are not self-implementing programs. They do not sell themselves. In order to implement the programs, someone has to do something different from what is now being done, or get someone else in the company to do something different or both. In general, this something different is neither difficult nor costly, and in many cases there is no overt resistance to making the changes. Yet the incentive for making the changes is not strong at those places in the firm where the changes must be made, so some extra push must come from somewhere outside the firm in order to move the program along. This push must be continuing, because there are many changes of personnel in personnel departments, and it must be personal. Just during the nine months that the interviewing for this study was in progress, fully 30 percent of the personnel people had either changed jobs in their companies, had obtained their jobs within the past six months, or were no longer with the company. In many of the cases where the employment tax credit is being used, the WIN job developers played a major role. In some cases where the program is no longer being used, interviewees blame this on the neglect of the WIN personnel.

Reasons for Not Using the Employment Tax Credit

To this point, three major reasons for not using the tax credits have been identified. One is that there is bias against welfare recipients which results in a perception that hiring them involves a risk beyond that experienced when hiring other job applicants. Another is that the incentive provided in the tax credit does not benefit those persons in the firm who must make the necessary changes to accommodate the tax credit program. The third is that, particularly in the case of the welfare tax credit, the difficulty of identifying the welfare recipient effectively precludes use of this tax credit, so the other reasons do not surface.

There are two other reasons for not using the tax credit which are unassailable. One is that the firm has no information concerning it, and the other is that so little hiring is done at entry-level positions that there is no incentive for implementing the procedures.

On the first point, the flow of information is much different than the retention of information. It is common knowledge in advertising and marketing lore that there is turnover in every market. This means that people who use the product are moving away or dying, and that new people are coming into the market who never heard of that product. Thus, the investment in advertising is often viewed as a capital investment in awareness. This investment depreciates much like any other capital investment, and it must be renewed from time to time. The longer maintenance is deferred, the longer it takes to return to the acceptable level of productivity.

There were many participants in the meetings who had never heard of the tax credit, even though their firms were sent the information or were called on the telephone. In some cases, the person who received the information left the firm, and the replacement person did not go through the files to pick up the information. In some cases the person who received the information forgot about it. In some cases the person to whom the information was sent never received it. This means that any information campaign will be more effective if it is continuing.

On the second point, it may be argued that in a very small firm, the president would receive a significant benefit even if he hired only one person. In general, the smaller the firm, the less well defined are the hiring practices. Hiring usually takes on a more subjective tone, and recruitment is done more through present employees or sources which are knowledgeable about the firm. If those who must do the hiring have no good experiences with welfare recipients, they will make no effort to hire them. Though biases against welfare recipients are quite common, they appear to find more ready expression in the smaller firms where the environment is dominated by the personalities of the chief executives to a large extent.

Many reasons are advanced for not using the tax credit which are probably invalid.

- A. *Too much paperwork.* All of the necessary information to take the tax credit is already in the corporate files with the exception of the employee identification symbol. In all but the very largest firms this information may be compiled manually with little effort. In the larger firms it may be necessary to write a new program to pull the data, and estimates of costs vary widely. It should be noted, however, that affirmative action programs require much greater efforts, and firms are complying, although often under protest.
- B. *Too much red tape in filing.* The tax people say this is not so. If someone provides them with the payroll information, filing is no big problem.

Peavey Manufacturing Chairman of the Board

Let's take the case of one person at the salary of \$10,000. You mean there's a \$2,000 tax credit? What does it take of us to get this credit?

Peavey Manufacturing Personnel

We get a certification from the Department of Labor as to the qualifications of this person and that's it. We return it.

Peavey Manufacturing Chairman of the Board

And it's very simple then? We couldn't say as a reason that the procedure is so complex that it is not worth our while?

Peavey Manufacturing Personnel

Of the people we are now claiming, we have certifications on this form, but you do have to ask for it.

Peavey Manufacturing Chairman of the Board

What you're telling me, I guess, is there's nothing so burdensome or red-tapish about this that it isn't worth our while to apply.

- C. *The tax credit is too small to bother with.* Most firms take every dollar they are entitled to.

Interviewer

In your experience has there been a situation where you'd say, we don't need this tax credit 'cause we've got these other credits?

Honeywell Controller

We take every dollar.

- D. *Too much extra interviewing.* Most firms interview all comers anyway, and keep the applications on file.

Interviewer

Now, it's conceivable that in that labor pool there is someone who could fit the job if you would maybe give WIK a little more time. If they could fill a job in a week that someone else could fill in two days then that would mean that you would have to maybe interview more people and waste a little bit more of your time.

General Mills

We interview everybody that walks through the door.

- E. *Don't want any more to do with IRS than is necessary.* The larger firms are audited routinely in any case; and most other firms are audited often enough that the tax credit is no threat.

Interviewer

Have you ever had IRS come back and audit these schedules?

Honeywell Controller

They're in the process of auditing '72 and '73 now, but so far we haven't had....

Honeywell Personnel

I would be willing to bet, as sure as I'm sitting here, though, that they don't bother with T-9.

This conjecture, incidentally, was later confirmed by IRS auditing personnel.

Interviewer

So you wouldn't say that one of the deterrents to using this program is to flag the attention of IRS so that they'll come swooping in and audit your books just because you have filed that form.

Honeywell Controller

No, we're audited every year anyway.

Though these may be effective deterrents in sporadic cases, they are not, by themselves, efficient. The efficient causes of nonuse are ignorance, no hiring, incentive not worth the risk, difficulty of identification, and bias. Hiring practices marked by a desire to hire the best qualified candidate will, merely on the basis of chance, include some welfare recipients; but no effort is made to seek them.

Suggestions for Increasing the Usability of the Tax Credits

Some suggestions for improving the appeal of the tax credit have been advanced; but, when a clear focus is gained on the reasons for non-use, the remedies are not simple. There is no easy way to get a firm to hire people it doesn't need and cannot justify. It is very difficult to overcome bias. It is also very hard to administer the tax credit in such fashion that those persons in the firm who take the risks, perceived or real, are the ones who get the benefit. And it is not prudent to fire a good personnel person because he has not exhibited a preference for hiring persons on welfare. The lack of knowledge may be overcome, but once this problem has been solved--and it is not easy--the other objections surface. Perhaps the problem of identifying the WIN or welfare applicant, among all of those mentioned, is the most manageable.

Seven suggestions were made by participants:

1. Remove the 12-month retention and recapture provisions from the WIN program.

Interviewer

So at the time of termination you have to know whether that person was on WIN or not.

Leonard's Controller

That particular section of it should be removed. It is extremely difficult to keep track of.

Let's say business slows down. And I hired all these people and I don't need them now, so we're going to fire them all. I file for a tax credit for this last year's business; I now have to file a recapture on that credit next year. But if I dismiss them for reasons that Texas Employment feels are legitimate--dishonesty, immorality, something like that--then I do not have to file a recapture. That does make the bookkeeping process a little more complex.

The most recent changes in the tax credit legislation specifically repair the difficulty caused when a firm has to layoff personnel because of a business downturn, and, by reducing the retention requirements, somewhat ameliorate the problem caused by the recapture clause.

2. Train the WIN job development people better.
3. Improve the reliability of welfare recipients by establishing better child care arrangements.

Honeywell

Do you have any kind of baby-sitting or day care thing that the recipients can get into if they do find work? That's usually one of our biggest problems due to the absenteeism because of all the kids that they have and all the problems they run into with their children in not having dependable sitters.

Interviewer

If they're on welfare they have a child care allowance.

Honeywell

Right, but do they actually have the facilities? Sure, they can have their mother taking care of the kids, but if their mother's not dependable it doesn't make any difference if they're getting an allowance or not.

4. Improve the productivity of the welfare recipient by providing better training, in both technical and social skills.
5. Terminate the waiting period to get back on welfare when the recipient takes a temporary job.

Interviewer

Well, while you are so fired up, do you have any other suggestions that would improve the program from your point of view?

Leonard's Controller

I would do away with the recapture part of it. One other thing that would help the people involved is to allow these people to go ahead and work and make some money, and then, after a seasonal termination, don't

make them wait six weeks to get back on welfare. The majority of them have children and they can't afford it. If the purpose of the program is to help stimulate the economy and get these people some additional money, let them go ahead and work for it; but then don't turn around and penalize them by making them wait to get back on the benefit programs.

6. Place the responsibility for identification on the job applicant.

Young Quinlan Personnel

I think the whole problem stems from (the difficulty of) identification. I don't think any one of us do not want to use the program, or wouldn't avail ourselves of it if it worked into our regular programs and we wouldn't have to be encumbered with a lot of indecisive searches and other things that burn up time and effort.

Fingerhut Personnel

I would think that the WIN counselors...would counsel their people and say, "Identify yourself as a WIN recipient," especially in light of the Department of Human Rights, it's the law, you can't discriminate because of federal assistance. It would help them to get a job by identifying themselves. That's one opinion, but I think if the counselors would encourage the candidates to identify themselves, it would help us all.

But it is not easy to get welfare recipients to identify themselves.

Young Quinlan Personnel

I asked my interviewers, "Do people talk to you about welfare?" and they said, "Rarely, unless they are really pleading for a job, or are deeply concerned about starving to death."

Modern Merchandising Personnel

Some people, even if you request the information, may be hesitant to volunteer it, one, because of pride, and two, because they may get screwed out of their welfare payments because someone finds out they are working.

But many applicants will identify themselves if they understand the value of doing so.

Powers Personnel

Just yesterday I had a client who was applying for a job that he'd seen in the paper. In this case, he did not meet the qualifications for the job...Before he left though, he said he was looking for work, he is on the WIN program, and he would be happy to be considered for other positions that might come up. He didn't mention the tax credit, as such, but he did mention that he is on the WIN program... So some of them will come over if they're coached properly.

Dayton's Personnel

Our biggest single problem is identifying them, because they don't come in with any kind of card or letter or identify to us verbally that they are in fact qualified under the program.

Interviewer

If you did get a follow up letter...from WIN, would you go ahead and actually go through the routine to claim the tax credit?

Dayton's Personnel

I guess if we knew that we could identify a considerable number of people throughout the year, we would. But our experience has been that without identifying them, they are probably on the payroll and gone before we realize it. Therefore, at this point, the system doesn't seem to be working well enough that we would take the time to qualify for that one or two or three or half dozen people that may come in sporadically during the year.

Many of the participants made similar points to the effect that the difficulty of identification lowered the marginal value of the tax credit. The inference to be drawn is that if identification were easier, fewer employees would be necessary to make taking the tax credit worthwhile.

7. Pay a direct subsidy instead of a tax credit.

Leonard's Controller

It would seem to me that you would have the statistics on how much this type of tax credit was filed for this year. So whatever that amount of money comes to, budget it like the old JOBS program money used to be, where it was directly reimbursed to a store by check. That's something concrete. On a store level they immediately get credit from it.

Interviewer

Are you suggesting that as an alternative to the tax credit?

Leonard's Controller

That's right. Reimburse the money that way. It would be more of an incentive for the companies to go into it.

Penney's Personnel Manager

I think that more companies would probably participate in it if it came back to each individual store the way that he just suggested.

The first suggestion reduces the risk by reducing the cost of keeping track of the terminations for cause, and by eliminating the risk of recapture for any reason.

IRS figures indicate that of the \$1,895,000 of WIN tax credits claimed for FY 1972, \$770,000 were recaptured in FY 1973; of the \$8,914,000 claimed for FY 1973, approximately \$4,000,000 were recaptured in FY 1974. The 1974 figures are preliminary and show claims of \$7,831,000 for FY 1974. Recapture for claims made in FY 1974 occurs in FY 1975, and 1975 data are not yet available. If 40 percent of claims were recaptured, this would, of course, weaken the incentive value of the tax credit. On the other hand, there was no evidence of recapture in the interview meetings. Because of the gravity of the issue, a follow up survey was made. Telephone calls were made to the tax departments of all fifty of the firms represented in the interviews. None of the firms had experienced recapture of any of the tax credits claimed.

There are two ways that the tax credit might be recaptured. One is through an IRS audit and the other is by the taxpayer recalculating the prior year's credit. Telephone interviews with IRS personnel revealed that this tax credit has not customarily been audited, so recapture in this manner is ruled out. The other manner is also unlikely. IRS Form 1120, Schedule J, line 11 requests the taxpayer to enter the amount of the WIN tax credit, claimed in prior years, which is to be refunded to the government. If, for example, the employer claimed a tax credit for twelve months of wages paid to a WIN registrant who had been hired, and then failed to retain that person for an additional twelve months, the entire amount claimed (20% of the wages paid during the first twelve months) would be entered on line 11 and deducted from the current year's claim. All of the employers questioned, and who had claimed the tax credit in the prior year, said that they entered no figures on line 11. The general attitude seemed to be that it costs enough to claim the credit, and it would be foolish to spend more money to give it back. Tax personnel simply were not interested in putting together the records required by

line 11. On the other side of the coin, tax personnel were usually reluctant to claim the credit in the first place unless there were complete documentation. Technically, this would mean name, social security number, starting date and wages paid for the entire twenty-four month period necessary to claim and retain the tax credit. If this requirement were insisted upon, the number of WIN employees used as a basis for taking the tax credit would be very small. Even before the necessary records would be forwarded to the tax department, personnel would have culled out those employees who had come and gone between tax periods, so between the two departments, the conditions for recapture would rarely pertain.

But employers were often unaware of the twenty-four month retention, and in many cases, tax credits are claimed for employees who had been hired less than one year prior to filing the claim. If these employees were to terminate (except for cause) prior to the end of the necessary twenty-four month period, technically, the amount claimed should be given back in the succeeding year. As discussed above, however, there have been no instances where this was done. Incidentally, because there were no incidents of recapture, there were also no incidents where dismissal "for cause" was tested.

In any case, it was difficult to understand where the dollars recaptured were coming from, and the problem was explained to IRS. It had been decided to query another sample of firms to test various hypotheses, but before this could be done, IRS indicated that the recapture data were in error, apparently owing to an editing error which tallied some of the recaptured investment tax credits with WIN tax credits. The final figures are not yet available, but it appears that the WIN tax credits recaptured for 1973 and 1974 will be negligible.

The second suggestion, namely, to train WIN job development personnel better, relates partly to the information dissemination function of the WIN office, but also partly to a recognition that WIN is in competition with other sources of personnel. In some instances the WIN job developer, making a routine request, was able to send applicants to a job before the personnel officer was ready to contact his sources. There is rampant criticism of WIN and State Employment services, but there is also praise. This indicates that a great deal depends upon the personal relationships between the WIN people and the employers. If this is true, the problem becomes one of time allocations of the WIN employees.

The third, fourth, and fifth suggestions get at the reasons for the biases against welfare recipients. No testimony is yet available to test the strengths of these suggestions. It is possible that all working mothers have the same problems with baby-sitters, but that those of the welfare recipients are more visible. It is interesting that these problems for the welfare recipients seem to be viewed as a valid basis for government action, while the same problem for working mothers not on welfare are not.

The problem of training is difficult to assess. In order to have a completely defensible argument for training, a series of antecedent conditions must exist. The job must be defined in terms of quantifiable performance standards or definable stores of knowledge; the performance standards must be translated into job specifications; there must be ways of testing the performance capabilities of applicants in such a manner as to determine which of the disabilities may be repaired by training; there must be training available; and there must be continuing follow-up and assessment. It is quite true that many jobs require training before they may be performed according to standards, but the problems in setting the standards for many jobs are most difficult. Quite often the appeal for better training is merely a rationalization. Sometimes the term training is used to describe attitude modification or grooming, so that there may be no objective standards of performance.

Marathon Manufacturing Company Personnel

For the people from the welfare groups and from some minority groups and from some of the training programs, I think that along with teaching them how to do things, teach them a little bit about some other things. I realize, for instance, that some people can't afford to have on a \$150 suit; but a clean \$10 suit looks a hell of a lot better than a shirt that's dirty. And what I'm saying is that this personality thing, or whatever you want to call it, is biased in the case of your race sometimes.

Interviewer

Well, what you're saying is that you hire people that you have a certain feel for.

Marathon Manufacturing Company Personnel

You have to have a certain feel for; and what I'm saying is perhaps there is some way to teach them.

Nonetheless, job training is an obvious requirement in many cases, and the suggestion merits consideration. It seems apparent that a routine training component in the personnel processes of the firm would greatly influence a decision on readiness to work for the firm in some job.

The suggestion concerning the reduction of waiting time to get back on welfare when a person becomes unemployed was advanced to encourage welfare recipients to work at temporary jobs. Since this appears to be one of the objectives of the welfare tax credit, it may have some merit.

If a store hires someone on a temporary basis, say for the Christmas season, and then that person is terminated, there is a waiting period to re-establish welfare benefits. Usually the wages earned while employed do not permit saving enough money to tide over the waiting period, so the welfare recipient is loath to accept temporary work. This may be interpreted by the employer to mean that the person does not want to work and would rather be on welfare, so some biases may be confirmed. If it could be worked out so that those who are taking temporary employment might be immediately reinstated with welfare benefits, they might be more willing to accept temporary work. Presumably these arrangements would have to be made at the time that person secures the job.

The suggestion to place more of the burden for marketing their services upon the welfare recipients themselves gets to one of the major problems with the tax credits, but these persons need to be trained to do this. There is also need for performance standards for such things as number of job interviews taken, number of times the applicant identifies himself as a welfare recipient to the employer, number of phone follow-ups made to potential employers after the interview, and so forth. In view of the biases in the real world, a person who volunteers information may be excluding himself from serious consideration.

There are two major methods to mitigate the impact of this possibility. One is to support the personal marketing efforts of the welfare recipients with a public information campaign so that interviewers are more likely to be familiar with the tax credit program and with the reasons that applicants are volunteering the information. In other words, a public information campaign validates the personal effort and places in a public policy perspective in the eyes of the interviewers. Part of such a campaign, of course, would be some identifying card or letter which would tie the applicant into the general campaign in some tangible, visible manner.

The second, perhaps concurrent, method is to provide some incentive to the applicants to identify themselves, or some penalty for not doing so. The fielding of a believable information campaign with a strong sense of public benefit mission would provide some incentive, but greater leverage can be gained from the campaign if applicants have incentives or penalties which are more personal and direct. Perhaps a simple point system which increases some benefits or decreases some benefits, depending upon the marketing activities of the applicant, would be effective. The design of such a system is very difficult, and is beyond the scope of this discussion.

There are some things that the employer can do to facilitate identification, in addition to those interviewing strategies which emerged from the interviews. Employers, as noted earlier, are reluctant to ask job applicants about their welfare status prior to hire, and even after hire. The major reason advanced is because if the question is asked prior to hire and the applicant is not hired, the firm is vulnerable to charges of discrimination on the basis of public assistance status. Assessing the gravity

of this implication requires that a sampling of state human rights agencies be queried regarding the language of their statutes and the numbers of complaints actually filed by job applicants relating to public assistance status. For the purposes of this study, contact was made with the Minnesota Human Rights Department, and it was learned that the Minnesota statute is quite specific on this point, but that no complaints had been filed. It is possible that the lack of complaints owes to the fact that employers are instinctively wary of asking questions which are not job-related.

Further discussions with personnel from this Department probed the possibility that employers could file a letter with the Human Rights Department, requesting a business necessity exemption. This means that a job interviewer could ask whether a job applicant is on welfare prior to hire because that is the only way to learn whether or not the applicant would qualify the employer to claim the tax credit. It was concluded that, while taking the tax credit would be beneficial to the employer, it could not be construed as a business necessity. Furthermore, a letter on file with the Human Rights Department might be to the advantage of the employer in a legal suit, but it could not prevent the suit from being initiated.

The suggestion made by the Human Rights Department, after discussion with their attorneys, was that employers should take the following steps to avoid charges of discrimination.

1. Ask all candidates for a given job their welfare status;
2. Hire some applicants who are on welfare and some who are not;
3. Reject some applicants who are on welfare and some who are not;
4. Maintain adequate personnel records to document the results of these procedures.

Discussion with selected employer group interview participants through subsequent telephone calls indicates that, while employers believe that these procedures would render them invulnerable to successful prosecution, again, there would be no guarantee that suits would not be initiated. When asked if they would implement these procedures, most employers responded negatively. They felt that the procedures were cumbersome and that the burden of identification should be on the job applicants.

Another rather obvious suggestion which emerges from the interviews is to let employers know about the tax credit. Approximately half of the firms represented at the interview meetings had no one at the meeting who knew about the availability of the tax credit. In these instances, the usual response is to promise to go back to the firm and put the decision process in motion. Follow-up phone calls were made several months later in order to learn what results, if any, occurred in terms of WIN hires.

In none of the five cases surveyed were the results positive. In three of these cases, the individuals who had been at the employer group interviews were no longer on the job. In the other two cases, the participants had not yet got around to doing anything about the tax credit program, but still intended to do something.

Summary

The employment tax credits have been made available to employers as an incentive to hire persons who are on AFDC. The incentive is thought to be necessary, of course, because it is recognized that there is widespread bias toward persons who are on welfare, or "on relief". The interviews produced ample evidence of this bias, so that the preponderant attitude is that people on welfare are poorly motivated, unreliable, and unproductive. This attitude is the basis for the generally held opinion that hiring people on welfare is more risky than hiring the average applicant who is not on welfare. Ordinary business prudence operates on the side of minimizing risks to the extent that this is possible.

That there is a higher than usual risk would be unimportant if the use of the tax credit involved no changes in hiring practices and procedures. The fact is, however, that changes are required in virtually every phase of the hiring process, from the placement of the job order to the maintenance of records in order to prepare IRS Form 4874-FY and claim the tax credit. Where a change is necessary, a decision is necessary; and the greater the perceived risk in making the change, the more pronounced is the tendency to involve more people in the firm in the decision. When the job description of any functionary in the firm does not contain the authority to make a decision, the usual procedure is to pass the decision on up the line or to sit on it.

There is usually some question as to who else in the firm must be involved to make the program work the way it is expected to work. Personnel is usually involved, but personnel does not keep the tax data or file the tax returns. Accounting may be involved if payroll is a responsibility of accounting; but accounting does not know how to obtain WIN/welfare people, or how to identify them in the firm. The tax department is involved, but they do not keep payroll records in a form which permits extraction of the WIN/welfare people, and they do not know what is involved in seeking to hire WIN/welfare people. Supervisory personnel are involved because they are often the ones who make the final hiring decision, and who must work with the new employees. Usually supervisory personnel are more concerned with getting the job done than with taking the tax credit; but where they are concerned with taking the tax credit, they do not know what kind of documentation is required or who is to receive it if it is produced.

So implementation of the employment tax credit program does require the efforts of more than one person in the firm, especially in the larger firms. Even in the smaller firms personnel will usually not act without clearance from the president. There are instances where one person will implement the program, but on the basis of the interview data, when this occurs very little hiring is done anyway. As a result of this tendency to minimize risks, the routine decision processes in the firm are more rigorously utilized, and it is rare when one person finally has the information, the authority, and the incentive to implement the program.

Those who designed the employment tax legislation recognized many of these difficulties, and so provided an incentive to management to make the efforts to overcome them. There is no clear consensus concerning the adequacy of the 20 percent tax credit; but there is some testimony to the effect that its impact is not felt at that place in the organization where the risks of implementation must be taken.

The net result is that hiring practices are rarely changed because this requires more work for little reward and perhaps great penalty. Hiring practices designed to obtain applicants best qualified for a given job will not be changed so that they would appear to be designed purposely to hire those less qualified. When a WIN or welfare applicant has been hired through normal routines, there is usually no qualm about filing for the tax credit. But when someone in the firm learns about the availability of the tax credit, he may or may not go back and scan the payroll records or ask employees whether or not they are on welfare. In many cases, then, the tax credit becomes an unearned addition to surplus for the corporation for doing something which is being done anyway. There have been some cases where someone in the firm learned about the tax credit and then hired WIN clients in order to gain the credit, but this occurs infrequently. There is, however, some evidence to indicate that more certifications on the average are obtained by firms that knowingly hire WIN clients than by firms that scan payrolls after the fact.

One hypothesis which should receive further attention is that the first few WIN hires may be made unknowingly, and then the firm learns of the tax credit and hires more WIN clients because of the tax credit incentive. There is no evidence of this in the interview data, but it is reasonable to assume that such cases exist. The major question to be answered concerns the extent to which the incentive value may appear at a point in the chain of hires subsequent to the first hire.

In any case, when firms hire WIN clients, it is usually because of the active solicitation of the WIN job developer, rather than because of any self-sustaining process in the firm. It is safe to say that the employment tax credit does not sell itself, at least with the first conscious hire, and in view of the importance employers place on the WIN office it seems that a continuing effort by WIN is necessary in order to sustain interest in the program. This is not surprising when the complexity of the WIN hiring negotiations are recognized. One illustration that was cited documents some of these complexities, and shows that the availability of the tax credit is only one minor ingredient of the negotiations. It was the availability of the tax credit, however, which provided the incentive for the firm to pursue the issue to the point where WIN could get involved. It is possible that knowledge of the tax credit may provide the incentive to call WIN, but it may not be the major consideration in the hire. The factor which does become the major consideration emerges from the negotiations with WIN.

As is usually the case with a program of this complexity, innumerable reasons are advanced by employers to explain why they do not use the tax credit. Because of the underlying biases in many of the responses, it is sometimes difficult to determine which reasons are valid and which are mere rationalizations or camouflage. There are five unassailable reasons why a firm will not use the tax credit:

1. It has an adamant bias against welfare recipients.
2. No entry-level jobs are available.
3. It is unaware of the availability of the tax credit.
4. It is unaware of the welfare status of job applicants.
5. The incentive and the risk are mismatched in the firm.

Suggestions made by the participants to increase the numbers of WIN hires are:

1. Remove the twelve-month retention and recapture provisions from the present legislation.
2. Train WIN job development people better and hold them to performance standards.
3. Improve the reliability of the welfare recipient by providing better child care arrangements.
4. Improve the productivity of the welfare recipient by providing better training.
5. Terminate the waiting period to get back on welfare when a recipient takes a temporary job.
6. Place the burden of identification on the job applicant.
7. Pay a direct subsidy instead of a tax credit.

Three of the suggestions (3, 4 and 5) relate to the characteristics of the labor pool, and may or may not be associated with some type of bias. The first suggestion would eliminate some paperwork and perhaps sharpen the incentive; the seventh is offered as an attempt to match the incentive more directly to the place in the firm where the risks are taken. It is immediately apparent, however, that a direct subsidy may not have this intended effect, again depending on how it is paid, and who in the firm gets the direct benefit of it. The suggestion to improve the effectiveness of the WIN job developers responds partly to an information need, and partly to an incentive need. The suggestion to place the burden of identification on the job applicant is perhaps the more manageable solution, or partial solution. The precise methods to be used to accomplish this are, at this point, conjectural. These suggestions, though not exhaustive, do aim at the three major obstacles to the use of the tax credit which are most amenable to a direct solution. The lack of entry-level jobs is not easily remedied, though there is some theory to suggest that the employment tax credits may create some of these jobs in an indirect manner. Further comment on this topic is beyond the scope of this study. Nonetheless, enough commentary regarding it appears in the meeting transcripts to justify at least a note on this topic.

A Note on the Employment Tax Credit and the Creation of Jobs

The employment tax credit is not a direct incentive to create new jobs. The tax credit may provide an incentive to hire someone on welfare rather than someone who is not on welfare, but there has been no testimony that a single new job has been created as a direct result of the tax credit. There is some theory to support the contention that jobs may be created indirectly.

There is no reasonable way for the employment tax credit to act as an incentive to create jobs directly because job orders are created on the basis of need, and the primary criterion for hiring is a judgment that the applicant is the best available for the job to be done. There are many suggestions advanced by participants in the group interviews for making applicants better fitted for the jobs, mainly through training; but well-trained persons are not hired merely because they are well trained if there is no job available for them. This point, alluded to above, is further documented below.

Interviewer

When Congress started the investment tax credit, they did so on the assumption that it would stimulate plant expansion or modernization. I think that the same thinking was behind the welfare and WIN tax credits, to encourage employers to hire additional people over and above their immediate needs on the grounds that they were getting a bargain. I gather from what you are saying, however, that this does not take place.

Leonard's Controller

There isn't a company in the world that can just up and say we are going to increase our payroll over budget! I don't care whether... you folks are with the second largest retail company in the United States, and I'm sure that your payroll budgets are budgets that you do not exceed.

Interviewer

You're supposed to be able to hire five people for the price of four. You can spend a certain amount for payroll. The question is, as a result of the tax credit have you put more bodies to work than you would have without the tax credit?

Leonard's Controller

We put more bodies to work, but it was because of store openings where we needed additional people. Had we not needed the additional people, we couldn't have afforded to hire them.

It is very beneficial to have those people at a lower real pay rate... for that opening. You can afford to open, then, since payroll is your biggest single expense in a store anyway.

Interviewer

Do you think that this would be a serious consideration to the opening or not opening of a new store?

Leonard's Controller

No. It's a consideration, but it's not all that critical.

This testimony concerns a situation which is at the heart of the objective of the employment tax credit in terms of creating new jobs. Yet, even in this ideal situation, the tax credit emerges as but small consideration in a decision to open a new store. This may be somewhat surprising in view of the facts that labor is the largest single operating expense, and that many of the jobs in a new store are entry-level jobs.

Though there have been no instances of jobs being created directly as a result of the employment tax credit, there is some theory to support the contention that jobs are created indirectly. Even though, in practice, the tax credit is more often taken as a bonus for doing something which would have been done in any case than as an incentive to hire someone who is on welfare, it may still be meeting its objectives in a less direct manner. There are two arguments to support this hypothesis. One is found in ordinary macro-economic theory; the other is found in micro-economic theory, or the theory of the firm and the household.

Macro-Economic Approach

The employment tax credit is modeled after the investment tax credit, which is based on the assumption that new investment creates jobs, which in turn creates demand, which is translated into sales and a return on the initial investment. There are differing opinions, of course, as to which sector of the economy is the mainspring, and those who feel that the creation of jobs by some direct process is more effective may find the theory of the employment tax credit more appealing. Their argument might be based on the premise that jobs create spending power, which creates demand, which translates into profits, which is partly used for new investment, which creates more jobs and the cycle continues.

While the investment tax credit may create jobs directly, it more often does so indirectly through the capital markets. When, for example, a for-profit hospital buys a cobalt treatment machine, people who know how to utilize the machine must be hired, and so jobs are created directly. If, however, the firm invests in a machine that can turn out the work of four persons with the efforts of one, jobs may be directly terminated. When this happens the theory is that greater productivity translates into either higher profits which get pumped directly back into the economy for plant expansion and modernization of the plant that makes the profits, or pumped indirectly back into the economy through capital markets. Or the greater productivity gets translated into lower prices than those which would otherwise obtain, and demand is stimulated, thus encouraging further investment. The key to the entire system, following Keynes, is the expectation of profits by businessmen. It is important to note that it may be hazardous to attempt to justify the investment tax credit on the basis that it creates jobs directly, because there are probably equal numbers of examples where the numbers of jobs are directly reduced.

The employment tax credit may work in precisely the same manner. Whether or not people are hired directly because of the tax credit incentive, if the tax credit is taken, it results in greater profitability or surpluses for the firm. The greater profits may be pumped back into the firm for expansion and modernization, thus creating more jobs indirectly, or it may be pumped into capital markets with the same result. If the additional profits are distributed in the form of dividends, these dividends may be either saved or spent. If they are saved, they enter the investment stream; if they are spent they enter from the demand side. If the increased dividends make the stock of that firm more attractive, the result is that stock is more marketable and the firm has easier access to the capital markets, perhaps at lower rates of interest. This tends to leverage the advantage gained by the employment tax credit so that the firm may make further investments. Additional investments have the same effects that are associated with the use of the investment tax credit.

If the employment tax credit is distributed, at least in part, to the line managers in the firm, they may either spend it or save it, and the results are the same as if the surpluses had been distributed as dividends to shareholders.

If the money were given directly to welfare recipients as subsidies, it would enter the cycle on the demand side and so stimulate further investment. Strong arguments may be made for either approach, because the demand accelerator may be more potent than the investment multiplier under given conditions, and the reverse may be true under other conditions. Suffice it to say at this point that the effects of the employment tax credit may not be fairly evaluated if only the direct effects are considered.

Micro-Economic Approach

One of the key elements in micro-economic theory is that the firm or the household will attempt to utilize resources in combinations which equalize at the margins. This means that each resource is placed at its highest and best use, in combination with other resources, so that the marginal revenue in the case of the firm, or the marginal utility in the case of the household, equals the marginal costs of the resources.

Applying this narrow segment of micro-economic theory to the employment tax credit, there are two ways that the employment tax credit may be meeting its objectives in an indirect manner.

If a person secures a job which is not utilizing his highest talents, both to work and to find a job, this person is underutilized and a resource is being wasted. If an employer hires someone who is on welfare, and who may have low productivity and low ability to find work, but who can still do the job, he forces the other candidates to seek employment elsewhere. This requires greater effort perhaps, but if that other person secures a better job, that is, a job which could not be obtained by the person on welfare, there is a net gain to society. This is true because each person employed is employed at his marginal ability.

Interviewer

This is just a personal observation. Nobody we've talked to yet has said that they would hire one additional person over and above what they would ordinarily hire in order to take advantage of the tax credit. That means, in effect, you people are saying its a great program because it increases your profit picture. Now, if we haven't increased the sum total of jobs in the economy by one then, in effect, we're really not taking anybody off welfare. We simply fill an existing vacancy with somebody from welfare--- which just means somebody else is going to get on welfare.

First City National Bank Personnel

Sort of a musical chairs-----

Interviewer

Is that what we're doing though?

Marathon Manufacturing Company Personnel

Basically you're absolutely correct. We're budgeted and I get a letter the first of every year telling me how many people can be in each department and that's it. But I want to point out one aspect of this situation that I think you might consider. If I can put one WIN or welfare person into a job, I have actually given them a job that the person who might have got into would have maybe a little more qualifications and could go somewhere else and get a better job and so---yes. You're adding to the overall, I'm sure you're aware that the work force continues to increase every year, so what I'm saying is, the major difference is that semi-skilled individual coming in to get a job would be replaced by a WIN person and this person would again go and maybe get a job somewhere else--increasing the labor pool. That's the only thing I can say in reference to what you're saying.

Again, if the welfare recipient gets the job instead of the person who is working just to remain busy rather than for an income to live on, the retirement of that person from the labor force would have little effect on demand because that person's demands are satisfied by other household income. If the welfare recipient does not get the job, total demand is depressed by the lower aggregate income. If employers would give preference to the person who is not over-qualified, and if this criterion could be fairly utilized, the net result to the economy would be higher utilization of resources, and an increase in total productivity.

Little has been made of the use of the tax credit for domestic employment. If a woman, for example, is kept at household work when she could be more productive in a job, again there is a waste of resources. If she were able to hire someone at a lower rate of pay to work in her home and watch the children, she might exercise some initiative to get into the labor market. If she also got into some form of work which was truly creative, her efforts would have the same effect as the investment tax credit. Some women are released from household duties to start a business of their own, in which case they would eventually hire more people and this would create jobs. In other cases, women get into sales positions which may tap small corners of demand, say, for example, in the cosmetics markets, so that the additional sales produce greater profits which in turn stimulate further investments.

Again, disregard of these possible indirect effects of the employment tax credit may serve to undervalue the total effects of this incentive.

Recommendations

The following recommendations are tentative. There is no consideration of the costs involved, and a great deal of work remains to be done to design the best procedures for implementation, should this be desirable. The sole concern at this point is to increase the utilization of tax credit certifications. There may be some flurry of increased use of certifications when employers first become aware of the availability of the tax credit because they scan their payrolls for qualified employees. From the standpoint of program design, it might be assumed that a large percentage of employers would take the tax credit during the period in which they hired the WIN or welfare clients. The fact that they may not, in fact, do so merely defers the costs to the government in lost tax revenues, it does not eliminate these costs forever. And though the tax credit may come as an unearned bonus or "windfall" to some employers, it should not come as an unexpected cost to the program. In the long run, however, there should be a greater congruence between certifications and hires. Therefore it may be assumed that increased use of certifications would be a result of increased numbers of hires.

There is some basis to hypothesize that the designers of the WIN tax credit thought that it would be a self-selling concept, that is, that many employers would utilize it because of its obvious advantages. Perhaps experience with the investment tax credit provided some foundation for this expectation, in view of the fact that over 400,000 corporations were taking advantage of it. If this were so, there would be little need to carefully design the procedures for selling the tax credit through the WIN offices or through any other agency.

In fact, however, the WIN tax credit must be sold aggressively, just like any other product or service being sold in a competitive market. Furthermore, there appears to be a long gestation period from the time someone in the firm learns of the tax credit to the time someone is hired as a result of it. Therefore, the following recommendations are based on the assumptions that the tax credit is worth selling, and that the selling efforts will be sustained over a period long enough to test its appeal.

A. Five changes in the legislation are recommended:

1. Eliminate the retention provision of the WIN tax credit.

This would reduce some of the complexities and some of the risks. Questions of seniority would be minimized in cases of termination, and there would be no undue burden on the employer to forecast needs for entry-level employees. The 1976 legislative revisions reduced the length of the required retention time, but it did not eliminate it entirely.

2. Eliminate the recapture provision of the WIN tax credit.

It was indicated above that the portion of the WIN tax credits claimed which are recaptured is negligible. This does not mean, however, that the recapture clause holds no threat to employers. In many cases they do not attempt to locate employees who would qualify them for the tax credit because they feel that the turnover in the jobs for which they are hiring is too rapid to make a tax credit realistic. In other cases they may hire the employee but not take the tax credit because they do not want to be bothered keeping the records, or the employee has come and gone before the tax filing date. It seems safe to conclude that the recapture clause does discourage use of the tax credit and keeps it from acting as an incentive. If employers do not gain any incentive from their initial attempts to hire WIN clients, it is unlikely that they will make further attempts to use it more frequently. In other words, there is no chance for learning to take place.

The very term "recapture" is misleading. It implies that the IRS will make a careful effort to recover claims which turn out to be unsupportable in the light of subsequent events. In fact, the IRS rarely audits for this tax credit. The recapture is really a recalculation. The term appears to have been taken from the context of the investment tax credit. In the investment tax credit legislation, it makes some sense to have a recapture clause because firms often replace equipment sooner than they had anticipated. When this is done, there is a tax credit on the new equipment and a termination of the credit on the old equipment. The recapture is in fact a recalculation of the new claim based on adjustments for prior claims. When a recalculation like this is made, the amounts claimed in the past are not cancelled out entirely, but merely reduced based on what turned out to be the actual life of the equipment.

With the WIN tax credit, at termination the old employee may not be replaced by another employee who qualifies for the tax credit, and further, the prior claims are not adjusted in the light of subsequent events, they are completely cancelled out. In other words, if the employee is not retained for a full twenty-four months, none of the tax credit on his wages may be claimed. It is an all or nothing proposition. The only time there may be a credit equal to less than twelve months of wages paid is if the employee is terminated for cause. In this case, the credit may be taken for the length of time the employee was retained, up to twelve months of credit. Recapture of the WIN tax credit is thus more damaging than recapture of the investment tax credit.

Finally, there is very little positive incentive in the recapture provision. Ostensibly designed to encourage employers to hire on a permanent basis, it places provisos where none are necessary. Employers are interested in hiring permanent full time, temporary full time, permanent part time and temporary part time. Because the WIN tax credit applies only for substantially full-time work, the part-time work is precluded. People on welfare do not like to take temporary full-time work because their welfare benefits are interrupted. This leaves employers using WIN only for permanent full-time positions. When an employer is hiring in this category, he has all the incentive he needs to reduce turnover. Paperwork, unemployment compensation, training costs, et cetera, place a premium on keeping people as long as possible. On the other hand, the nature of some jobs is such that, regardless of what the employer may prefer, the turnover is unusually high. This is true for entry-level jobs to a greater extent than it is for higher level jobs. When the experienced turnover rate is higher than the tax credit retention period, the tax credit cannot be an incentive to hire WIN clients. Where the turnover rate is adequate, employers often feel that a person on welfare will not stay in a job long enough to qualify for the tax credit. In either case, learning cannot take place. The employee cannot learn to stay on a job he is not given in the first place, and an employer cannot learn that a person on welfare will stay on a job when he does not hire that person to begin with.

Reducing the retention period in order to take the tax credit and eliminating the recapture provision altogether will not change the nature of the job, the biases of the employer, or the work habits of the employee in and of itself. Making these changes may, however, permit the tax credit to function more adequately as an incentive for employers to at least try to work with welfare recipients. In any case, there is no productive purpose served by these provisions and they should be eliminated. No evidence has emerged to indicate that employers are retaining employees any longer than they would otherwise out of consideration for the tax credit.

3. Authorize the WIN offices to certify for the welfare tax credit. This would eliminate the confusion regarding the certification of welfare tax credit employees, by removing the necessity for the employer to deal with the welfare departments directly. This has been accomplished in the 1976 legislative revisions.
4. Eliminate the requirement that welfare tax credit employees must be receiving welfare assistance at least 90 days prior to hire. This would simplify the identification procedures, and taken altogether, would result in only one tax credit rather than the two existing at present.

5. Change the flat 20 percent tax credit to a stepped-up rate depending upon the amount of WIN wages paid for the period. The following schedule is illustrative:

<u>WIN Wages Paid for the Period</u>	<u>Tax Credit Rate</u>
under \$100,000	20%
\$100,000 - \$150,000	25%
\$150,000 - \$200,000	30%
\$200,000 - \$250,000	35%
over \$250,000	40%

This change would have the following results:

- It would remove objections that the amount of the tax credit is too low.
- It would place a premium on retention.
- It would provide incentives to the employer to raise wages where possible.
- It would provide an incentive to the employer to hire more WIN clients in order to get to the next higher step in the scale, and remove some of the burden from the WIN offices. Perhaps most important, it would sometimes provide a reason for the employer to act now, before his tax period ends.

If these changes were to be made, the procedures for claiming the tax credit would be simplified, and there would be fewer opportunities for biases to act as deterrents at decision points.

B. Five administrative changes are recommended:

- Mount a continuing information campaign so that interruptions in the program because of personnel changes in the employer organizations are minimized, and so that more employers may be aware of the availability of the tax credit.
- Place WIN job developers on performance quotas for tax credit placements. Where there is no control on performance, it is difficult to maintain sustained improvements in performance.
- Coordinate existing training programs so that applicants will be as qualified as possible.
- Require that WIN clients carry certification forms to the job interview, and provide them with an incentive to produce them for the employer.

This will eliminate a large part of the identification problem, and will make it unnecessary for the employer to make a special request for certification from the WIN offices.

The existing Eligibility Declaration should have the information on the employee and on the WIN office already filled in. It should be in duplicate so that the employer can send one copy to the WIN office and retain one copy for his files. It should bear a legend indicating that the tax credit is available should the applicant be employed. It should provide a place for the employer to request an instruction kit if he does not already have one.

5. There should be an instruction kit available, to be sent to employers upon request.

This would eliminate many questions regarding authority in the firm, and would expedite the use of the tax credit program. Such a kit would also reduce the number of personal calls required of the WIN job developer.

The instruction kit might contain the following items:

- a. Cover letter citing purposes of the tax credit and use of the kit;
- b. A summary of the legislative requirements;
- c. A copy of the Eligibility Declaration;
- d. A copy of IRS form 4874;
- e. A memo to be forwarded to the president with a brief explanation of the program;
- f. A memo to the accounting or tax department which is to accompany a copy of the data needed to file for the tax credit and a copy of form 4874;
- g. A sample worksheet to be used by personnel to accumulate the necessary data on a manual basis. This form would have space for:
 - 1) Name of employee
 - 2) Social security number
 - 3) Position
 - 4) Date of hire
 - 5) Starting wage
 - 6) Salary change
 - 7) Date of salary change
 - 8) Date of termination
 - 9) Cause of termination
 - 10) Total wages paid for the period.

The kit should be attractive and well designed.

It should have the effect of inspiring personnel to maintain the record on a continuing basis.

If there is a stepped-up rate of tax credit, it should motivate personnel to attempt to get to the next tax bracket.

There would probably be little need to gain the concurrence of others in the organization until the time comes to actually file for the tax credit. By that time, the necessary documentation would be available, and an internal decision can be made on the basis of historical data.

On the other hand, the memo to the president for his information would provide him with the opportunity to get involved if he so desired.

If WIN clients appeared with certifications in hand, there would be no need to change hiring procedures at the point of interview and the incentive value of the tax credit could operate immediately.

Three of the suggestions advanced by interviewees are not recommended here. One refers to improved baby-sitting services, and is not recommended because it appears to be too difficult to do more than is now being done, and because there is no evidence in the data to support the contention that this service is any more of a deterrent to reliability with the WIN applicant than it is to the non-WIN, non-welfare applicant with minor children.

The second refers to a termination of the waiting period to get back on welfare when a temporary job is terminated. Much further study is necessary before this suggestion may be adequately treated.

The third refers to a change from the tax credit to a direct subsidy, and this is rejected because the objective of this study is to suggest ways to increase the use of the tax credit, rather than to discover alternatives to the tax credit.

There is one other problem area which should be addressed, but no suitable recommendation is at hand to resolve it. The person in the firm who must do the work, or who must take the risk of hiring AFDC recipients, usually received none of the incentive for doing so. On the other hand, the incentive value of the tax credit is usually diffused or directed to some top-level executive who may have little to do with the actual hiring procedures. The tax credit programs would result in many more hires if the tax credit incentive could be translated into some monetary or material reward to those persons in the organization who bear the risks. In cases where this has been accomplished in a firm, higher than average numbers of welfare recipients are being hired.

The matter of translating this incentive to that point in the organization where the risks are taken is extraordinarily complicated and difficult to implement. This study yields little data upon which to frame a recommendation, and none is advanced.